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MANAGEMENT
QUARTERLY

**WINTER
1961-62**

**A GUIDE TO BETTER
MANAGEMENT**

THE SILENT TONGUES OF MANAGEMENT

By Clarence C. Walton

THE ROLE OF THE ELECTRIC CO-OP ATTORNEY

By William T. Crisp

NEW FRONTIERS IN PUBLIC RELATIONS

By A. D. Mueller

THE CHANGING ROLE OF THE CPA

By V. R. Gerd

MANAGEMENT SERVICES DEPARTMENT
NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

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The Silent Tongues of Management

By CLARENCE C. WALTON

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THIS rich and sprawling land of ours has yielded abundance the like of which the world has never before seen. Its fertile soil produces such abundant produce that our very largesse becomes a farm problem; its bowels spew forth coal and iron, oil and copper to sustain a mighty industrial complex, and its men of business have fashioned a web of management that is universally recognized as the most advanced and sophisticated in the world.

Indeed, the theory and practice of management—despite their relative youth—have excited first-class students in America to deeper study than any other community of scholars. Out of these efforts have come effective theories relating to organization, to leadership, to human behavior and motivation, and to control.

Yet behind the impressive facades of these theoretical and practical approaches to business management are some very important ideals and values, some time-honored practices and assumptions, which are so much a part of our intellectual and moral apparatus that we take them for granted. Concepts such as contract and liberty, competition and markets, law and authority are among the important elements which give a dynamic quality to our administrative practices. They tinge management's views of decentralization, delegation, span of control, with a light that illuminates the ultimate kinds of reality. They are the silent tongues of management which, however muted, speak constantly in the large and small decisions that make a business thrive or decline.

Intellectual Breather

In today's society these basic concepts are undergoing enormous stress and strain. Since they have been the traditional guideposts, if some change in essential meaning is taking place it is imperative for the responsible administrator to know this, lest he take the wrong route to efficiency even with the best intentions in the world. It is, therefore, appropriate

for the manager to take an intellectual "breather" from time to time in order to assess his own role, his own objectives, and his own resources—to make certain that he knows where he is going and, more important, why.

The purpose of this small essay is to touch on the meanings of labor and of property — two concepts in our business society which are in extraordinary ferment today, and, by so doing, to invite some critical reflection on the other range of notions which underpin a free and pluralistic economy.

In addition to its basic analytical or ideological content, every major concept



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has an important time dimension. Status, for example, is just as crucial for modern man as it was for his medieval predecessor. In earlier times status usually meant possession of large land holdings, while today it may mean ownership of numerous shares of stock or membership in exclusive clubs.

Agrarian to Industrial Economy

The significant time dimension for Americans came around 1890, when the Census Bureau reported the close of the frontier and further noted that for the first time exports exceeded imports. Internally the country was witnessing a vast migration from farm to factory, even as it struggled manfully to accommodate its customers and resources to the vast influx of foreigners spilling from Europe onto its shores. Externally we were becoming a first-rate world power with a growing navy and with overseas island possessions to symbolize the reality.

During the so-called Gay Nineties period these changes became perceptible. These were the years that saw the passing of the frontier, the concentration of control over manufacturing, transportation and communications, the transfer of economic and political power from the country to the city, and the disappearance of the Old West. These were the years which saw the emergence of a centralized economy whose markets were to be controlled by the Sherman Antitrust Act of 1890.

Concomitant with these changes were substantial alterations in the way in which values were put to practical use. If one examined the popular nineteenth century textbooks for the schoolboy, the popular novels for the adult, and the folklore of heroes in American society, one could learn much of the attitudes and values highly esteemed by rural America. Webster's Spellers and the famous McGuffey Readers taught industry, obedience to the parents, kindness to the aged, generosity, promptness, and the inevitable triumph of good over evil. The literature included Uncle Tom, Huck Finn, Tom Sawyer and Leatherstockings. All of these fictional heroes were country folk, living simple lives, close to the discipline of the soil, passionate in their belief in God and His laws.

The new industrialism suggested to many critics that the meaning of eco-

nomic activity reposed on a doctrine that "riches were not a means but an end" and that consequently all business activity was equally good, whether subordinated to social purposes or not. Industrialism was, therefore, basically an evil development in history. To others it signified a rapid advance for civilization, since the machine released millions of men from drudgery, from want and from disease.

Between the extreme views is ample room for a middle ground which suggests that, despite pockets of poverty and unemployment, there has burgeoned on American soil an affluent society. Yet this new and unprecedented affluence has brought a train of paradoxes. Thrift and frugality are no longer virtues in a society that can produce so much that the stress is on steadily increased consumption and rapid turnover. Stability has yielded to mobility and millions of American families think nothing of pulling up stakes and moving on to new places, new faces and new jobs.

The old burning fires of religious zeal have been banked by a newer kind of secularism. And the cherished Jacksonian notions of individualism have been replaced by expanded adaptations of our theories of association first discussed by de Tocqueville. The solitary farmer has joined the cooperative; the isolated worker is now a union man; and the lone-wolf entrepreneur has become part of the corporation team. On every front the need to manage men in large enterprises has been accentuated.

Comes the Professional Manager

The emergence of a professional managerial class to meet such needs has resulted in various interpretations of this development. We have been told in "Parkinson's Laws" that, regardless of need, bureaucracies beget bureaucracies. The opposite has been asserted in "Harbison's Laws," that every advancing and progressive economy is characterized by a growing number of managers who are desperately needed to perform essential functions of keeping organizations alive and vital.

However we interpret the growth of the professional managerial class, the fact remains that it has increased in both size and quality. And this increase has been paralleled by spectacular changes in the modes of our thinking and behaving.

If the manager is to be genuinely effective he must keep abreast of the society he is called upon to serve. But it does not follow that simple adjustment to environment is the only answer.

More than at any time in history man has the capability of influencing the environment, of shaping it to his ends, and this can only be achieved if the leaders of men understand the conceptual rocks upon which social foundations are built. Indeed, as he understands them he articulates them with the quiet tongues of attitude, of behavior and of performance even more eloquently than with job descriptions, management manuals, high-speed computers and their counterparts.

This is not to minimize the importance of these instruments, but the instruments become socially useful or destructive only in the hands of men who know their real purposes. A brief look at two concepts, labor and property, is now in order, since these tell us much about how we view work and workers and how we use and abuse property.

A Concept of Labor

The abhorrence of the ancients toward manual labor is too well known to need documentation. What is truly remarkable is that this antipathy persisted for so long a time and over so wide an area in western Europe — despite the efforts of theologians to give dignity and meaning to work. In the Catholic Church the Benedictine Order made manual labor a regular part of its rule; Luther emphasized the spiritual value of work in his writings, and Calvin used the concept of "calling" to stress the importance of labor to the personal and social good of man.

There was, then, a substantial theology of work which should have eroded the earlier prejudices, but it may safely be said that only in America did such theological seedlings bear practical fruit. Spurning an aristocracy of blood, of arms, of inherited position, we rested claims to status on what a man could do with himself. In America the leisure class, as such, was never especially honored.

Yet despite our dedication to the values implicit in hard work, the industrial leaders of the late 19th century were impressed by the tenets of Social Darwinism which asserted a dog-eat-dog brand of competition. They were at-

tracted to the economists' easy lumping of land, capital and labor into one package and treated the laborer simply as a commodity. Nine-year old boys on 12-hour mine shifts were common experiences. This shortsighted view of labor and the laborer did much to explain the later bloody history which marked the growth of unions.

What is disturbing is that even today this commodity theory of labor prevails in some circles. It is evident in employment practices which provide no job stability, or retraining when such stability is destroyed by markets, or by technology, or bad management.

Human Resource Abuse Inexcusable

Abuse of a natural resource is reprehensible. Abuse of human resource is inexcusable. It is the function of management to see in work an intrinsic value, to communicate this sense to the worker himself, and to create an atmosphere where the worker voluntarily assumes responsibility for high quality output. Such a managerial philosophy is not sentimentality. It seeks only to have men, who are freely associated in such voluntary associations as cooperatives, unions and corporations, work toward the common good. It avoids coercion but insists on work performance; it requires good wages for good work.

As a working proposition it can be argued that labor and management are part of the same process. While they sometimes have different estimates of their relative roles, often argue over the fruits of their common efforts, and too frequently take a parochial view of their contributions, they are nevertheless members in an essential partnership.

The experience of the General Motors Corporation is opposite. In the early 1920's the auto industry was in a raw and unorganized state. When Alfred Sloan, Jr., assumed the presidency, it was common practice for the manufacturer to treat dealers as "outsiders." Sloan rejected this view and organized the dealers as part of GM organization and the results were spectacularly successful. Similar recognition of the interdependence between manager and worker is part of effective administration, and acceptance of this concept represents a giant stride in restoring the meaning of work — and

worker—to its original American sense.

Ever since the appearance of the classic study by Berle and Means in 1933 on the corporation and private property, the subject of the divorce between ownership and control has stirred lively controversy. Separating the bulk of stockholders from the operation of their own enterprises led the late distinguished economist, Joseph Schumpeter, to conclude that what we have generated is a business civil service whose management of property bears only a remote relation to the objectives of the owners. And this development, in turn, meant to him the end of the entrepreneurial classes and the end of American capitalism.

New Problems for Business

It is true that the separation of ownership and control has created momentous new problems for business, although this was also true of the feudal order of medieval Europe. It is evident that the replacement of parcels of shares for the walls and machinery of a factory, or for the rich acreage of a farm in mid-America, has dried the life out of our traditional view of property. Willingness to fight for a piece of land is not matched by a willingness to fight for a piece of stock. Yet anterior to these developments—and in some ways more important—is the question of how property is to be viewed and used.

Over a century ago Wilhelm Emmanuel von Ketteler examined the problem and was appalled by the then nascent dogma that a property owner could do absolutely what he pleased with what he owned. Under the new prescription the owner could keep land fallow even when hordes were hungry at his gate; he could use vast tracts for hunting preserves when land was scarce; he could exploit with abandon, leaving dust bowls, denuded forests and depressed mine areas in his wake. It was this view of private property rights that gave such charm and appeal to Marxist demands for its abolition.

It is interesting to observe that in older Judaic-Christian tradition, private property had to be employed for social good, and that this new idea was shared among the pagan Aztec Indians of Mexico. Long before Columbus, the Aztecs held that

those who possessed the land had to work it. Those who did not work the land lost their right to possess it. This same notion prevails today in Switzerland.

Manager Also a Trustee

The point at issue, then, is not the right to hold private property but the dubious claim to use it, abuse it, or ignore it to suit a personal objective. There is vested within property-holding a serious social obligation, and it is the function of managers who operate these properties to realize that their trustee function extends not only to owners but beyond them to society at large. Stockholders are real, may be counted, will ultimately be heard if their interests are ignored, whereas society suggests an amorphous mass of anonymities. Nonetheless, the manager of property must husband resources in such fashion that the use of it works to the good of all.

The trustee aspect implicit in the earlier versions of private property has been resurrected not by theorists but by the very changes wrought by businessmen in their own organizations. The manager must make property productive. Since productive property cannot escape the claims of the state, its fruits must be equitably shared by all in terms of lower and competitive prices for consumers, fair profits and wages to producers, and careful use of land for transmission to posterity.

Bonded Servant

Throughout this brief analysis there runs a constant and consistent theme, developed around the proposition that the manager is literally the real bonded servant of a contemporary industrial society. He has serious obligations to the personal and impersonal elements over which he exercises jurisdiction—the laborer and the land, broadly conceived. Neither can be ruthlessly exploited without doing violence to cherished concepts of our western society.

Yet the manager is not the minister, nor the company manual the missal. What he cannot preach he must practice. And his managerial practices reflect his vision of what human and natural resources are intended to do—a vision communicated eloquently by the silent tongues of his management philosophy.

Effective Administration of a Performance Appraisal Program

By DAVID M. FAULKNER

NRECA Management Consultant

YOU'VE thought it over and have decided to put a performance appraisal program into effect in your system. Congratulations! You have taken the first step in assuring your employees that they will have opportunity for development and training.

This brings some new questions into focus. Below are included three of the most often asked questions concerning the administration of a performance appraisal program.

What is the first step in implementing performance appraisal?

There must be complete agreement from the board on down that performance appraisal is necessary and important. A policy spelling out the objectives of performance appraisal is essential. These objectives should include "allowing each employee the opportunity to improve his performance to attain his maximum potential, and to make his maximum contribution to the organization." The policy gives authority for the administration of the program and insures consistency of opportunity for all employees.

What steps are involved after acceptance of the policy?

- **Step 1. Preparation of organization chart.**

This chart should be reviewed periodically to insure it defines each department's functions in organizations which are dynamic and changing. This is a logical step in management development planning because it points up areas in the organization which may need strengthening and identifies all key positions for which qualified incumbents and replacements are required. Since conditions rarely remain static, each should be analyzed to determine whether any organization changes should be planned.

- **Step 2. Written position descriptions and position specifications.**

Every employee is required to write a description of his job, which is reviewed and approved by his supervisor. This enables supervisor and subordinate to have a meeting of the minds as to what are the job responsibilities and authority. The appraisal seeks an evaluation of the man's performance in terms of results. Where no written position description exists, it is very likely that the supervisor and the employee will have differing views on what the incumbent is being held accountable for. The crux of the entire appraisal is based on the man's performance against what the job calls for.

In addition, a man specification describing what work experience, education, and personal qualifications are required by an individual to fit the job is written. This aids in the selection of applicants for job openings.

- **Step 3. The appraisal.**

The supervisor sits down and appraises the subordinate's performance on a form described in the 1961 summer issue of MQ. The supervisor looks at the position description and relates his estimate of what the job calls for as compared to the performance of the job holder. The supervisor reviews the form with his superior. This appraisal form emphasizes the following points:

(1) **The performance of the individual** in terms of the results he obtains and the methods he uses. What kind of a job is he doing? Has he shown noticeable change since his last appraisal? Consider such factors as quality, quantity, costs and safety, and the general effectiveness of his work. How does he go about getting his job done? How does he work with and through people? Does he delegate responsibility and authority wherever possible? Is he capable of assuming responsibilities delegated to him? How does he supervise the development of his people?

(2) **The personal qualifications** of the individual that affect his job performance. What outstanding characteristics does he possess which add to or detract from his performance on his present job or that may hinder or aid his development?

- a. What is the single area in which his performance is most effective?
- b. What is the most noticeable need for improvement?

(3) **The plan of action** which is developed between the supervisor and subordinate as to what the subordinate can do to improve his performance on his present job and increase his potential value to the organization

• Step 4. The review phase.

In the review phase, the immediate supervisor reviews the appraisal of each of his subordinates with his immediate superior before he discusses it with the employee. The purpose of this review is to further acquaint the superior with the people below him and to approve or amend recommended development plans. Consideration may be given here to possible organization changes, means of improving supervision, means of strengthening future appraisals, coordinating development resources, changes in policies, methods, etc. The review also allows more objectivity in that if the reviewer agrees to the appraisal the appraisee knows the appraisal is the judgment of both the appraiser and reviewer.

• Step 5. The counselling interview.

Every supervisor discusses each appraisal with the person reporting to him. This discussion provides a definite occasion for management to specify what is expected of the man and to tell him how well he is fulfilling these expectations. It also allows the person appraised to contribute his own ideas concerning his development—often bringing out important suggestions.

Experience indicates that it may not be best to show the person being appraised the appraisal form, nor to read it. Notes taken from it may be used as a guide to discussion. The last page of the appraisal form is useful for this purpose. This form provides space for notes that are taken from the appraisal, suggests notes to be made of the individual's reaction to

his appraisal, and provides space for mutually agreed upon development steps and development progress. The interview should be constructive. Questions should be employed and the person appraised encouraged to state his views. Specific steps for development should be discussed and agreed upon in an atmosphere of mutual problem solving.

The plan of development that emerges from this discussion, or series of discussions, should greatly strengthen the relationship between the man and his superior. The man should be stimulated through active participation in his own career planning to take a major responsibility for his own improvement.

• Step 6. The development phase.

Everything in the program up to this point is preparatory to routine action of bringing the training resources of the organization to bear on the individual in order to meet three basic objectives of the program:

1. The maximum utilization of our human resources.
2. The maximum degree of growth for our people in the performance of their assigned tasks.
3. The availability of trained people, ready, on time, to meet all of our organizational requirements.

Emphasis should always be placed on helping the individual improve his performance on his present job. As a result of appraisal and discussion, the employee gets a clear-cut picture of what his boss thinks of him. Because this knowledge of "how he stands" is based on the mutual understanding of the people most interested in and most concerned about his progress, it leaves him with a strong sense of responsibility for his own future growth. This encourages him to seek the help and guidance he needs. It must be realized that the first step in any person's development begins with his own desire to improve.

The development plan is a systematic and orderly approach to a basic management responsibility. Improvement of any skill requires persistent practice. The management skill of encouraging the development of people is no exception to the rule.

Who administers the performance appraisal program?

Everyone who has people reporting to him has the responsibility of seeing that his subordinates are appraised at least once a year. However, to insure overall consistency, to see that everyone is appraised on time, that appraisals are reviewed and that counselling interviews are made, it is desirable to have the staff assistant as administrator of the pro-

gram. He is available for coaching and counselling those who have to make appraisals. The staff assistant will also receive copies of the "plans of action" resulting from the counselling interviews, and from these he can advise on proper training and development for those being appraised. The staff assistant is the logical and necessary person to administer this vital program.

management brief

Office Mechanization: Is This Machine Necessary?

■ Successful office mechanization does not automatically follow the purchase of new office equipment. That is why these six factors should be considered while the purchase is still in the planning stage:

1. **Does the office really need the equipment?** If you need better business control, efficient check-protecting and signing machines can be valuable. If you improve the appearance of finished work, then up-to-date typewriters, multigraphing and mimeographing machines, as replacements for inefficient and out-dated ones, can help.

But it may waste money instead of saving it if the machine is not actually needed.

2. **Have you selected the most suitable model?** A consideration is whether you need a machine that can combine several functions into one operation. If the office requires a simple photographic-type copying machine designed to handle general copy work, investment in something more versatile may be unwise. But if many kinds of essential documents are now being copied slowly—and expensively—by hand, then a costly, yet efficient copying machine that is able to reproduce all these documents quickly may actually bring the cost of this paperwork down.

3. **Do you know the true cost of the machine?** A machine's savings to an office

cannot be determined until its true cost is known. This includes:

- Installation (if any, since the price of many large office machines includes installation charges).

- Labor required for operation. Are special skills required to operate the machine, and, if so, can present employees be trained? What will this expense add up to? If new employees must be hired, how much do you have to pay for this work?

- Any special forms and supplies that are required for the use of the machines.

- Depreciation (or rental costs).

4. **Will the machine save labor time?** To determine this, clock one hour's performance of doing this work manually. Then clock one hour's performance of doing it by machine.

5. **Will the new machines help raise the morale of the employees who will use them?** Here's one way they can: Allow the employee to select the model or color of his or her machine, where this is feasible. Another way to raise the morale is to introduce the equipment beforehand to the employees who will use it.

6. **Will the organization be able to recoup the cost of the machine—**via time and work saved—within a reasonable period of time? According to a rule-of-thumb suggested by the Small Business Administration, this should be accomplished within one-fourth of the estimated life of the machine.

Condensed with permission from The Management Review, March 1961.



The Role of the Electric Co-op Attorney

By WILLIAM T. CRISP
Attorney-at-Law

THE ROLE of the rural electric attorney, though for the most part not unlike the role of the attorney for other corporate clients, is quite unique. This was emphasized repeatedly in 1961 when, in the 12 sessions of NRECA's Legal Seminar I, some 350 rural electric attorneys from Alaska to Virginia discussed the subject.

With but one exception, all of these lawyers were engaged in the general variety of clients. What do these lawyers find unique in their role of service to this particular client?

Service in Vital Demand

First, of course, there is the matter of the **kind of service** the rural electric system renders. It is a service in vital, continuous demand by a large segment of the public. The strains and stresses, both corporate and legal, that attend this public service role are numerous and, in some respects, paradoxical. For instance, while the essentially monopolistic position of the rural electric system sometimes induces management attitudes (and commensurate operating policies) that take the consumer for granted, increasing challenges to the rural electric's territorial integrity are compelling attitudes and policies of an almost opposite nature.

The tenuous line that separates these two opposing attitudes and their would-be policies has many legal pitfalls which simply do not exist for most business institutions. The concept that the cooperative is a **responsible** entity, which should, indeed must, be responsive to the public interest, is itself capable of getting the cooperative into much legal difficulty. Let that concept be translated formally into charter and bylaw requirements and the cooperative may find itself subject to the regulatory jurisdiction of an unsympathetic public service commission.

The judicial controversy over just what kind of service institution the cooperative is—and thus over what rights and responsibilities it possesses—is still very nebulous. Until and unless that controversy is settled, the cooperative attorney will be constantly confronted with the necessity of making difficult decisions (many of which will be judgment guesses) in his advice and counsel to cooperative management. Thus, much as cooperative management may dislike it, it must for many years ahead be satisfied with some “maybe” legal advice when, like everyone else, it naturally wants a definite “yes” or “no.”

Second, there is the matter of the **nature of the corporate entity** itself. The differences between a cooperative type of corporation and the usual run of stock company are many and complex. In the field of taxation alone the cooperative attorney must grapple with a host of legal rules and requirements that he seldom if ever confronts in serving other clients. Perhaps it is for that reason that no single subject produced as many questions—or as many arguments and conjectures—as did the subject of capital credits during the 1961 legal seminar sessions. Indeed, despite their wrestling with this matter over a period of years, many cooperative attorneys still find both its fundamental precepts and its administrative requirements tedious to penetrate.

Research Necessary

The lawyer simply cannot perceive the subject in all its ramifications without going fairly deeply into the makeup of, as well as the continuing interrelationships between, the corporate operating statement, balance sheet, reserve policies and membership records. Moreover, tax rulings on certain aspects of the subject are still somewhat nebulous, so that the

lawyer cannot always research with dependability the questions that arise.

But the tax and accounting differences between a cooperative organization and other corporate types are not the only ones that challenge the rural electric attorney. The attorney for an ordinary shareholder company has the foundation of some general rules, both business and legal, that apply to most such enterprises. Moreover, the shareholder principle itself is a safeguard that, for the most part, insures a degree of safety in corporate action, just as it measures the respective economic interests of the owners.

Not so with a cooperative corporation. The unity of ownership, controllership, and equality of right to share in the services offered, while perhaps the most hallowed principle embodied in cooperation, is possessed of certain weaknesses. One member, one vote; the power of the board to amend the bylaws and to appoint the nominating committee; the relatively low quorum requirements for membership meetings—from these and other features of the typical electric cooperative there sometimes emerge problems in connection with which the lawyer finds himself in the dual role of legal practitioner, on the one hand, and plenipotentiary between existing management and the membership on the other. It is not, as attested by several lawyers who attended the seminar, a pleasant position in which to be put.

Status Not Well Defined

Moreover, while certainly not unique to cooperative corporations, the exact status of the attorney—as between hired management and the board of directors—is often not well defined. In some cooperatives, apparently, the attorney deals primarily with the board, only secondarily with employed management. In many (perhaps most, according to inferences easily drawn from the seminar discussions), the lawyer, while perceiving, of course, that his higher responsibility pertains to the board, deals predominantly with employed executive management and seldom initiates questions or advice to the board without having previously consulted with that employed management.

These two roles present, usually, a difference of emphasis, not one going to the substantive relationships between the parties concerned. And certainly either of the two roles — if balanced judgment and perspective is retained, and assuming



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that neither the lawyer in the first role, nor the manager in the second, abuses or usurps the other's rightful status—is perfectly consonant with competent legal service and harmonious professional relationships.

But it is equally true that both management and legal services will suffer, may indeed become mutually *persona non grata*, if either the employed management or the retained attorney assumes to cross the sometimes imperceptible line that divides their respective functions. In an electric cooperative corporation it is a line easily crossed. Quite often the attorney is the most educated member of the board-manager-attorney "team." Quite often he has been with the board for many, many years and has seniority of tenure over not only the manager but several board members as well. He is thus likely to have in the library of his brain background facts which are important to current management decisions, and he is therefore tempted to volunteer—and indeed apt to be called upon by the board, the manager, or both—to opine in areas which relate strictly to operating policy. It is not easy for the lawyer occupying such a status to resist both his human inclination and the externally-induced pressure to venture into management's peculiar realm.

Still, it would appear to be more a problem of discretion, of wisdom, of sound human judgment and prudence, than of

propriety or strict taboos, that here confronts the electric cooperative lawyer. Given these qualities on the part of both the manager and the attorney, what might otherwise assume the proportions of a disruptive, extra-legal practice emerges as a helpful, friendly, respectful source of management support and strength.

It works both ways. The electric cooperative lawyer should command respect and inviolability in his particular field of professional service. He must command this in the demeanor of, as well as in the formal responsiveness he receives from, both manager and board.

(Inasmuch as I myself am a lawyer, one may easily suspect that this pronouncement smacks of some degree of professional protectionism. Perhaps so. It is nonetheless true that the lawyer who does not enjoy this type of prestige with his corporate client either lacks the qualifications to deserve it or, for any number of possible reasons, continues to serve as best he can despite his client's lack of a mature comprehension of his proper role, or both. The point is that in neither case can the client receive the excellence of legal service that, increasingly in our particular world, it must if it is to survive.)

How Important Is Compensation?

A part of this "demeanor" and "informal responsiveness" to which I allude related to compensation. One could not participate in all 12 seminar sessions, as did I, without coming to realize that many an electric cooperative, though constituting a multi-million-dollar enterprise and requiring commensurate legal services, is frugal indeed when it comes to paying legal retainers and fees.

Why is this true? Almost invariably that question was answered by the participating lawyers in one of two ways: Either the attorney and/or manager had failed to communicate effectively—with each other or with the board—so as literally to educate the client to the value of the required legal service and the time and effort required to perform it; or the attitude of the board—toward not only legal compensation, but wages and salaries as well—was still pretty much anchored in criteria long outdated by the demanding, complex corporate enterprise the cooperative had become.

But, lest anyone conclude otherwise, the uniqueness of his role in this respect is somewhat offset by another unique con-

sideration, as attested by the statement of one long-standing attorney during one of the seminar sessions. After bemoaning (and with justification) the lack of monetary appreciation shown to him by his board of directors over many years of service, he said: "Don't get me wrong. There isn't another lawyer in my whole area who doesn't covet my position as attorney for the cooperative—and who wouldn't give his right hand to take my place. For, to be perfectly frank with you, this is the best client I have." He was, one would judge, a highly competent and affluent attorney.

Must Believe in Cooperative Principles

This remark, in addition to eliciting the unanimous laughter-in-agreement of some 30 other lawyers, revealed yet another ingredient of the cooperative attorney's role. For, of all the considerations involved in this role, no doubt the most important is this: The cooperative lawyer must not only become knowledgeable in certain technical-legal fields that are alien to his general practice; he must understand, believe in, be genuinely sympathetic with, and hold fast and loyal to the **cooperative principle** itself.

Is this requirement in fact unique? The answer is unreservedly in the affirmative. Lawyers serve many clients—individual, corporate, institutional—with whose principles and objectives they are not necessarily sympathetic. (Many a defendant would plead his own case were this not true!) But this is not true and it cannot be true with respect to the electric cooperative client. It is a client which emerged despite tremendous opposition from, and which must continue to do battle with, gigantic corporate forces.

Thus upon the lawyers who are responsible for its legal representation there devolves not only the duty to understand the legal and technical fields by which it is differentiated from most corporate clients; there devolves also the privilege of understanding and believing in it—of plumbing its social, economic and legislative beginnings, of seeing it sympathetically in the context of history, and of defending it righteously as well as legally.

And in this respect, of course, the lawyer's role is not much different from that of anyone else. That is, anyone else who is associated with an electric co-op.

The Changing Role of the CPA

By V. R. GERD
CPA

CPA's, as a profession, were relatively latecomers to the over-all REA program. Engineers and lawyers, of course, were among the first of the professions to work with the rural electric systems. It was not until 1948 that the public accountancy profession, through CPA's, was given the opportunity of providing audit services for REA-financed cooperatives, power districts, etc., and then only to those borrowers who had demonstrated financial stability by having a sufficient net worth.

To discuss the role of the CPA it is necessary to understand the nature of his profession with its responsibilities and obligations. The CPA, as a professional man, assumes ethical standards which must be present before his activities can be labeled as professional. They are:

- **Special knowledge and appropriate skill.** Essentially this means he must be competent by virtue of education, training, experience and personal characteristics.
- **Moral and economic independence.** He must practice a code of ethics or rules of professional conduct. The CPA who belongs to the American Institute of Certified Accountants is bound by its ethics. CPA's are also subject to rules promulgated by state boards of accountancy.
- **Recognition of an inherent public interest** in which the CPA assumes certain obligations, financial and otherwise, at law to his client and is charged with other obligations to third parties.

Fast Growing Profession

The CPA profession in the last twenty years has been one of the fastest growing professions, not only in numbers but in development of accounting and auditing knowledge and techniques. By the time CPA's assumed a role in the rural electric program, they were no longer primarily detectors of fraud. No longer was the CPA one who just understood the debits and credits of bookkeeping and who checked trial balances and bank reconciliations. He was a member of a skilled profession, the ultimate objective of which was to accumulate and interpret facts that mea-

sure the contributions and rewards of the various groups that comprise our business society. He had become to many a "doctor of business."

Those observing the growth of the professional also noted the increasing tendency on the part of many CPA's to specialize in various fields of business, a development similar to that which paralleled the developments in the medical profession. In my opinion, it was because of the growth of the CPA profession, and its record of achievement, that initially led REA to approve CPA's to perform audits of certain of its borrowers. I might also mention that REA was the pioneer among Federal government agencies to authorize CPA audits of projects in which the U.S. government had a substantial financial interest.

Now that we have outlined the professional background and development of the CPA profession, we'll review the specific roles the CPA can perform in the over-all REA program.

Audit Function Vital

First; and of primary importance to REA, is the "audit function" which traditionally has been the mainstay of the CPA



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profession. REA has directed that borrowers engage CPA's to make audits of the borrower's financial statements and to report thereon to the borrower's board of directors, and indirectly to REA, by having two copies of the audit report forwarded to REA for the information and review.

We find that REA has placed great reliance and a heavy responsibility on CPA's making audits of their borrowers, and in REA's bulletin of Minimum Auditing Standards reference is made to almost every aspect of utility operations.

Since financial facts are expressed in exact figures in financial statements, many readers of such statements mistakenly suppose that any audit of the statements is an exact and complete verification of the figures shown thereon. In the absence of fraud, an audit does not ordinarily require an exhaustive investigation of the details of the borrower's operations, and this basic principle is recognized by REA in its Minimum Audit Standards bulletin.

Accounting Practices Evaluated

The objective of the CPA audit is a sufficient examination of the statements and supporting records, and sufficient study of the borrower's actual accounting practices to place the CPA in a position to express an informed opinion upon the general fairness of the financial statements. The soundness of accounting decisions and estimates depends upon the integrity and competence of those who make them (ordinarily this is the borrower's management) and upon their adherence to generally accepted accounting principles applicable to REA borrowers as contained in the Uniform System of Accounts and other publications and directives of REA. It is for an independent review of the reasonableness of both the managers' and employees' decisions regarding these questions, even more than for tests of arithmetical accuracy of the bookkeeping data, that an unbiased, objective audit as provided by CPA's is required by REA.

Six Tests for Financial Statements

CPA's reach a conclusion as to the general fairness of a borrower's financial statements by the six following steps not necessarily in the order given.

- A general review of the general ledger accounts and records and comparison

of the figures shown on the statements with the sources from which they are taken.

- A study of the bookkeeping and internal control procedures regularly followed by the borrower and consideration of any departures from these practices. Even though REA borrowers have prescribed systems of accounts, each borrower may have particular ways of accomplishing the keeping of its records. The CPA is required to review, in general, the methods and controls over construction accounting, with particular emphasis on the proper allocation of costs among construction, retirements, replacements and maintenance. This is important since utilities are in the business of construction and operation of their facilities at the same time.
- Independent sampling tests (inspection, correspondence or other means) of the existence of the assets.
- Application of various audit tests, so far as reasonably possible, to ascertain that all liabilities are reflected in the balance sheet in actual or approximate amounts.
- Over-all review of the income and expense accounts by analyses, test comparisons, etc.
- Test procedures intended to determine the authenticity and general correctness of the accounts on which the statements are based.

Should the CPA find that the records have not been maintained properly, or if there are some significant errors and omissions, it is his duty to persuade the borrower to make appropriate adjustments and corrections to the records. If he is unable to do so, he may issue an audit report in which he takes exception to the financial statements and his reason for doing so.

Professional Standards Essential

Throughout his work, the CPA is guided by auditing standards which have been developed by the profession to assure a high degree of professional performance. These standards relate to the personal qualifications which the CPA must possess, to his field work, and to his report. These standards are well known throughout the profession and by a process of education are becoming better known to the business world.

The standards call for much more than passing the CPA exam and meeting certain statutory requirements. Unfortunately, but nevertheless it is true, not all CPA's carry out their engagements with the same degree or quality of professional performance. I should hasten to add, however, that this problem of professional performance exists with other professions as well, and I am sure you personally have experienced this in connection with the selection of a doctor, dentist, attorney, etc.

In the audit of the usual commercial enterprise which borrows extensive money or must report to its stockholders, credit grantors such as banks or investment banks have insisted on a high quality audit report prepared by CPA's with a reputation for careful and reliable work. REA, although a major credit grantor, generally has recognized any CPA in good statutory standing in his home state and, as a result, REA has received some audit reports based on inadequate examinations. This is unfortunate and of major concern to the learders of the CPA profession.

This concern was evidenced about two years ago when the American Institute of CPA's appointed a Committee on Relations with REA. This committee, together with representatives of REA, has discussed ways of upgrading the CPA audit program as it applies to REA borrowers.

Doctor of Business Role

Another role and one of almost equal importance to the audit, to the operating management and board of directors, is the "many-sided role" that CPA's perform as a "doctor of business" and is now classified by CPA's under the general category of "management service." In 1956, the American Institute of Certified Public Accountants published a **Classification of Management Services by CPA's**, which listed 116 services of various kinds rendered by different CPA's. I do not want to infer that any one CPA can perform all of the listed 116 services, for, here again, the CPA must be competent in the field if he is to carry out his ethical standards of conduct.

CPA's have a knowledge of their client's business structure and financial affairs which permit them to extend their services to the management of an REA borrower without expensive education in the busi-



ness, which other consultants cannot always avoid. Generally, in the "management services" function, the CPA "fills a void" in the internal organization and skills of his client. The "void" varies widely among borrowers, and will change within any given organization as its internal knowledge and skills improve or deteriorate.

For an REA borrower, the types of services performed most frequently by the CPA are the following:

- Accounting system revision, especially with reference to mechanization of procedures.
- Responsibility accounting.
- Budgets and expense controls.
- Office management procedures and problems.
- Study and advice on working capital requirements.
- Capital credits policy and accounting
- Investment of idle funds.
- Installation of or supervision of the installation of continuing property records.
- Long-term financial forecasts and plans.
- Pension plans, compensation plans, etc.
- Revision of system of internal control.
- Interpreting financial statements and assisting management and board of directors in determination of financial policy.
- Determination of general funds invested in plant.
- Instruction of new accounting personnel.
- Inventory controls.

CPA's with utility experience can be of great help to a borrower's management in the areas of management service outlined above.

During the audit a CPA will have ob-

served many conditions which pertain to the functioning organization of the business. These observations by the CPA should be given to management who, in many cases, will ask the CPA for special assistance in solving the problems. This, too, is service to management.

Auditor Performs Three Functions

The primary role of the CPA to date in the REA program has been as an auditor. His opinion as to the fairness of financial statements is important to the borrower's board of directors, to management, and to REA. These users of borrower's financial statements, as well as the many members or consumers served by the borrower look to the CPA's report in determining the credibility of such statements because

they know it presents the conclusion of an independent expert in accounting and auditing. The CPA profession is mindful of its obligation to carry out the "auditor" role on a high standard of performance.

A minor role, yet one of importance to all REA-financed electric and telephone cooperatives, is in the field of income taxation. Because of the CPA's extensive work with income taxes, he is in a position to advise concerning important issues in this field.

A third role, and one of increasing importance in years ahead, is in the field of services to management. Because of his knowledge of the borrower's organization, the CPA, particularly if he has had utility experience, is in a unique position to advise concerning many vital problems.

management briefs

Employee Apathy and Non-Involvement

■ Personnel practice, both past and present, has placed its main emphasis upon such goals as fair pay, adequate vacations, correct selections and placement, effective training, and so on. In short, on making certain that an employee is well treated so that he may be happy in his job. These are all laudable goals and far be it from me to deny their value. Nevertheless, they present some interesting aspects that are beginning to call for careful analysis.

We might start by taking a look at wages and benefits. During the past decade, thanks to management philosophy, collective bargaining, and governmental decree, fair wages and benefits have become an integral part of our industrial way of life. Now we know from research that wages and benefits do motivate men to work. Money and job security are basic facts in our economic world, especially to the employee at the lower end of the organizational totem pole. But it is becoming increasingly apparent, as Herzberg, McGregor, and others have pointed out, that money and benefits are no longer the prime motivators that they used to be. The needs they are designed to fill are fairly well satisfied by now—and satisfied needs,

the psychologists tell us, are not motivators for action.

This means that industry must turn its attention to other human needs as motivators for action. What other needs are there? According to Maslow, once the basic human wants have been satisfied,



"McFoogle has never learned to accept his deductions gracefully."

the next to come into play are the needs for self-actualization, self-expression, and self-esteem. The energy that comes from these needs is tapped as man is given the opportunity to use his intelligence and interpersonal abilities to achieve responsibility, self-control.

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Management Personnel Needed

■ The number of management personnel bearing the label of "upper executive manpower" has grown 44% in the last decade, as indicated in a study by Booz, Allen & Hamilton, a national management consultant organization. This is based on the analyzed data of more than 14,000 executive positions.

The rise was ascribed to new concepts

of management and organization, increased specialization of functions, corporate growth, the expanding complexity of business and a trend toward decentralization.

The study warned that future demands for executive manpower would be severe if business growth was to match an expected rise of 50% by 1970. It called attention also to what it said was a need for improvement in the development and training of potential executives.

By 1970 some 60% of today's top executives will have to be replaced, based on projected retirements at 65. The median age of today's chief executive is 57; the median age of all upper management executives is also 57. Therefore, replacement of chief executives must come from those below this level.

*New York Times
Sunday, October 9, 1960*

1961 Northwest Wage Survey Shows 4% Increase

■ The 15th Annual Wage Survey covering 101 electric systems with 9,395 employees in Montana, Idaho, Oregon, Washington and Alaska was recently issued by the Northwest Public Power Association. This latest survey shows the nominal hourly rate of journeyman lineman at \$3.51 per hour, plus \$.88 per hour for fringe benefits, or a total labor cost of \$4.39 as compared to \$3.37 and \$.85 per hour or a total of

\$4.22 in last year's survey.

Below are the trends this survey shows over the years for the job of journeyman lineman.

Although the wages for journeyman lineman are generally higher in the Northwest than other parts of the country, the trends indicated below are taking place in many other areas.

Copies of this 1961 survey may be obtained from the Northwest Public Power Association, 212 West 13th Street, Vancouver, Wash.

Year	Hourly Rate	Cost of Fringe Benefits	Total Labor Cost	Yearly Average Cost of Living Index
1948	2.00	0.30	2.30	102.8
1949	2.11			101.8
1950	2.17			102.8
1951	2.29			111.0
1952	2.49	0.53	3.02	113.5
1953	2.57	0.51	3.08	114.4
1954	2.65	0.52	3.17	114.8
1955	2.69	0.62	3.31	114.5
1956	2.84	0.69	3.53	116.2
1957	2.98	0.74	3.72	120.2
1958	3.10	0.78	3.88	123.5
1959	3.22	0.82	4.04	124.6
1960	3.37	0.85	4.22	126.5
1961	3.51	0.88	4.39	—

Work Planning in Power Use

By PAUL DRESSEN

WORK planning for power use, electric operations, engineering or office activities, should follow the same basic pattern. Programs included in the work plans for various departments will differ; however, the time element involved will determine the amount of detailed implementation necessary to make the plans successful. Besides spelling out specific programs, we have come to believe that a good work plan will also provide for budget controls and measurement of results.

Our work plan has three basic elements:

- Activity plans, goals, or standards.
- Budget for facilities, manpower costs, material, etc.
- Key indicators to measure progress and results.

How do we formulate a power use work plan? The first step is to decide the period of coverage for the plan. An annual work plan is most desirable in order to utilize our power use budget to the fullest extent possible.

For example, let's assume we're to draw up an annual work plan for the coming year. If there is more than one person in a responsible position in the power use department, it is well to have each individual formulate the facets of the work plan for which he or she will be responsible when it is implemented. The department head can act as the coordinator, with responsibility for assembling the final work plan.

Defining Your Objectives

We need to know exactly what will be contained in the plan. We should at the start define our objectives. Here is an example of an **objective** for an annual work plan for power use activities: To conduct a program of integrated services and promotional activity which will enable consumers to utilize their electric services most advantageously.

Goals for 1961 are:

- To develop and establish incentive retail electric rates.
- To complete development of the power use organization to a point where concentrated load building, with definite goals and programs, is possible.

- To determine the acceptance by consumers of having wiring and appliance repair services available from their power supplier, and the resulting effect on electric use.
- To develop the system's newsletter in order to gain consumer acceptance, confidence and use of this publication, and to fill the total need for this type of communication.
- To increase power sales for the year by 7½% over the previous year.

At this point in making our annual power use work plan we have an objective, with **definite goals**, which enables us to be realistic in formulating programs and activities with confidence that they will achieve our goals.

It is apparent that in order to meet these goals, we need acceptance by our consumers for our programs. We need to create and sustain a favorable corporate image for our customers to view, which will generate this acceptance. We need the help of dealers, wiremen, and the public, to create this image. In clearer terms, all of our activities will be concerned with:

- Consumer relations
- Public relations
- Sales promotion (electric utilization)

Here again, we have some basic steps which we can use to install an effective work plan.

Before we write our plan, we need to know our consumers and the state of public relations. We need to know our sales position—how we stand in relation to total use of energy, in all of its forms, by our consumers. To repeat an old axiom, we need to know where we have been, in order to better plan where we are going.

Determining Our Market Position

One of the best methods for measuring these areas is the use of a random sampling type survey. This type of analysis assures coverage of all types and classes of consumers, with the least cost and investment of time. Every 14th or 15th consumer can be reached, by mail and personal contact, to learn our market position with regard to:

Customer attitudes	Services wanted
Load potential	Appliance saturations
Appliance sales	Equipment saturations
trends	News media coverage
Competitive fuel use	

Many other areas can be measured through a sampling technique, and projected for the entire number of consumers. Comparisons can be made with previous surveys or analysis to determine trends. Of prime importance is to find out what the consumers **need** and **want**!

How much easier it is to build load by promoting appliances and other electric uses which for some reason or other are most desired by people in our area!

If we intend to have four major-appliance promotions throughout the year, let's work with the four appliances which are selling best. If our consumers do more buying as a result of our advertisements run in local newspapers, rather than from TV commercials, let's direct our promotional efforts to utilize local newspapers.

When we know our market potential, we can then plan definite activities. For an annual work plan, it is well to state our activity plans and goals in broad simple terms, which can be easily adapted to changing conditions throughout the year. We will also want to coordinate our programs and timing with our statewide and national association programs, and with other industrial groups. We should not overlook the assistance available from appliance and equipment manufacturers, jobbers, dealers, news media and others.

Power Use Man a Motivator

In effect, the power use man must be a motivator. His time does not permit making a large number of direct contacts with consumers for promotional purposes, but he can design his programs to motivate dealers, news media and others, who will in turn influence the consumers. One power use man working full time could very well coordinate the efforts of 100 other part time people.

How do we accomplish this through our annual work plan? Let's say one of our activities is designated Free Appliance Hook-Up Promotion. Our objective may be as follows:

"To increase annual kwh sales by 444,000 kwh, through adding 100 water heaters, 40 ranges and 60 electric clothes dryers to the system's lines, by offering



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consumers free electrical wiring (or payment in allowance for same), for these major appliances they have added as new load."

The work plan may schedule this activity for May, June and July.

A month or two previous to the beginning of the program, the person in charge should work up a promotion plan. Dealers are informed and invited to participate with displays and advertising. Jobbers are told about the program so that they can push their dealers to participate. All local news media are contacted and given lists of participating dealers as means of selling advertising. Consumers would hear about the promotion from all of these sources, as well as from the system's own newsletter, direct mail and advertising.

Budgeting for Power Use

Up to this point, we have established a clear pattern of activity; an objective is determined; annual programs and activities are planned in advance on a broad basis, and specific program plans are made for the year.

We haven't mentioned yet two other

important aspects of an annual work plan.

Budgets are necessary and helpful. Each activity in a work plan must fit into the overall budget. The budget can provide for programming more than dollars! Time is an important factor and must be considered in computing travel and related expenditures.

Carrying the budget through your work plan into each activity enables measurement of costs involved in performing specific activities as a guide to future planning.

The third, and most difficult to plan, part of a good work plan is the control factor. We should note at this point that the word control is used to indicate a broad range of measuring progress and results. Controls can be established for each activity, to measure progress and results, predict future conditions, and to provide meaningful, accurate records. The danger in setting up controls is over control. The challenge is to find simple, expressive key indicators, which will tell us what we want to know with a minimum of research.

When an annual work plan is completed,

it is of little value unless we follow it as closely as practical. By sticking to the work plan, unnecessary and duplicative efforts are minimized. Records should be maintained on each activity, and condensed for filing and future reference. Management reports made from the work plan can be meaningful and interesting.

Direction and Purpose Provided

What can an annual work plan do for your power use program? It will give direction and purpose to your work. It will assure the successful carrying out of the power use activities. It will provide your consumers the best possible service. It will bring personal satisfaction to the people responsible for the implementation of the work plan.

Some observations, in closing—avoid complexity and detail in making your first annual work plan. Do not plan more than can be accomplished. Better to do a few activities with good measure of success, than a lot of them with mediocre results. With broad goals, you can easily tailor your plans to fit varying situations which will arise during the year.

Democracy by District

By GARY GORDY

ONE of the basic problems the rural electric program has faced since its inception is selecting directors who truly speak with the collective voice of the members they represent.

Eastern Iowa Light and Power Cooperative realized the need for more democratic representation, since the membership were scattered over an area of some three thousand square miles, encompassing parts of nine counties.

Ordinary methods, such as a single mass ballot at an annual meeting, could be used effectively by cooperatives whose membership was smaller and more geographically compact. This method was tried and not found effective by Eastern Iowa. The democratic process was being broken down by sheer weight of numbers and lack of coordination and communication.

Five Districts Assure Representation

To assure more equitable representation, it was decided to divide the cooperative territory being served or to be served in the future into five voting districts. Each

of the five districts was to be as nearly equal in area and number of members as possible and was to be represented by three directors. In laying out the districts particular care was taken so as to eliminate any so-called "county units." In other words, each district consists of parts of three or more counties, and each county is split at least as a part of two districts and in some instances three districts.

Each year, a special meeting is called thirty days prior to the annual meeting. Each member in the district is notified of the date, time and place of the meeting. This meeting is primarily to nominate and elect directors, but is also open for discussion of any other matters pertaining to cooperative business.

By splitting the membership up into five district meetings with the district center nearer their home, management has a better chance for discussion of operating reports which are read at such district meetings.

The district meeting is called to order by the senior director from the district,



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who acts as temporary chairman until a permanent chairman of this meeting is selected by the members present. The permanent chairman may be any member who is not a director. The cooperative's legal counsel is secretary of these meetings.

Nominations for director are taken from the floor, and nominations must be held open for five minutes, regardless of the number of nominations until the five minutes are up. Any member is eligible for nomination if he resides in the district which he is to represent, is not in "conflict of interest," and is not a holder of or candidate for elective public office which pays \$100 or more per year.

No Proxy Voting

Voting is by secret ballot, and no mail or proxy votes are allowed.

This system was initiated in 1945, and to implement the first election the director

with the highest total vote was elected for three years, the second high director for two years, and the director with the third high total for a term of one year. From that point, one director from each district was elected for a three-year term.

These are basic essentials of Eastern Iowa's method of interpreting the democratic process. However, since the inception of this system, refinements have been added to popularize the meetings in order to draw a more truly representative voting group.

How It Works

The notice which is sent to the members is on a card with a detachable stub. Both halves contain the member's name and address. As the members register, they are given the body of the notice, with the stub being put in a box for later drawing. The stubs are counted, and a corresponding number of ballots are prepared after the nominations are completed.

A post-card-size stencil is then typed with the names of the member nominated on a special printed form which has a printed square before each name nominated. Each member must show his stub from the notice of the meeting before he receives a ballot. Ballots are distributed by tellers who are appointed by the chairman of the meeting after nominations are closed.

After the election, the stubs become "lucky numbers" in a drawing for prizes, which are, of course, electrical appliances.

Here at Eastern Iowa the years have shown us that we have originated a truly representative and democratic method of getting the voice and will of the member into the Board Room. It is truly "Democracy by District."

Do You Review Organization Structure Periodically?

In small business management, organization means people in actual jobs. It is simply a method of trying to set up the most productive relationships of individuals and tasks. In time, both elements change. Therefore, make sure that you have some provision for reviewing your organization periodically—say, once every six months or each year.

Where conditions have changed, revisions should be made sooner. These should be worked out carefully and put into effect quickly. An organization plan which has become a strait jacket can be worse than having no plan at all.

Are Your Electric Rates Up to Date?

WHEN your electric system office first opened for business many years ago, you probably had a retail rates structure suggested by REA. Too many systems are still using their original rate schedules. Some systems have had one, two and three adjustments, most of them downward.

The original rate schedules were designed for average farm and home uses of from 50 to 200 kwh per month. The controlling thought in the design of those rates was that they would return earnings sufficient to meet all operating and maintenance costs, in addition to the debt service payments to REA.

Critical Look Needed

Now that the average use of electric service in most cases is far in excess of the 200 kwh per month upon which the rates were designed, a critical look at retail rates is urgently needed.

It is fundamental that your electric rates provide sufficient revenue to meet all costs including scheduled payments to REA. However, there are other requirements of your electric rates structure which are equally important.

We should note in passing that electric rates should be equitable as between different classes of consumers. This equitability is sometimes quite difficult to establish, and yet it should be ascertained and practiced as closely as possible. One case in point is the wide difference which has existed between residential rates and small commercial rates. This wide difference is getting more and more difficult to defend in terms of economics. In fact, in many cases it cannot be defended at all

and equitability dictates that the rates be essentially the same.

Promotional Rates Essential

An even more urgent requirement is that rates should be promotional, so that more and more abundant use of electrical energy can be achieved. Most rural electric systems have reached a point of financial stability that absolute cash requirements are reasonably well secured. Now that financial stability has been achieved, attention can be given to moving on to more abundant use, contributing to lower costs and to lower rates.

Consideration should be given to establishing rates designed for farm or home and small commercial firms so that we move through three or four comparatively long blocks at certain prices per kwh until we reach 400 or 500 kwh usage per month. We should then provide a follow-on rate for all kwh beyond the first three or four blocks that is as low as it possibly can be made. In the first three or four blocks we should recoup all the costs of the kwh delivered up to that point. The follow-on rate then should only be enough to recoup the wholesale power costs of the additional kwh plus certain incremental costs, which are comparatively small.

A low follow-on rate is one of the best tools for improving load factor and for increasing use that a board can provide the manager and the power use people. With a low rate they can be far more effective in promoting electric heat, air conditioning, automatic laundry equipment, an electrified barn and shop, and complete electric living that every rural electric board hopes its members will achieve.



Many rural electric systems have for years provided special rates for water heaters and electric heat. These rates are sometimes below the average cost of delivering kwh. These special rates have served useful purposes in the past in encouraging specific loads. There are, however, so many different and expanded uses of electric service on the farm, in the home, and in business that it is questionable whether any special rate is any longer justified for particular applications. It is much better to have a low follow-on rate that can be applied for any of the myriad uses of electric power.

Another objection to special rates is that they may act as a deterrent for uses beyond that block. Once they are included in a rate structure it is difficult to eliminate them without raising the service bills of some members or making a drastic reduction. They should, however, be eliminated as soon as possible.

Rates and Fixed Costs

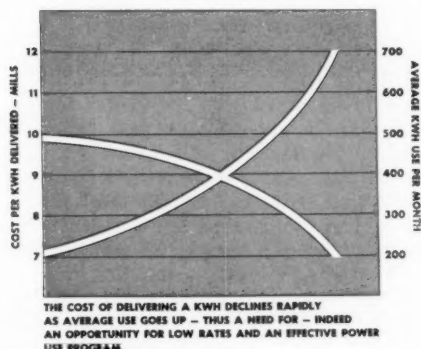
From 30% to 60% of the costs of delivering electric power among rural systems are in that category known as fixed or stable costs. Granted that there are no absolute fixed costs, it is to be emphasized that this category only means those costs that do not change in proportion to the

electric service rendered. Many systems can deliver 20% more kwh than they are now delivering with a very little increase in investment. An average system can deliver 100% more kwh with only 40% to 50% more plant investment. The cost of delivering each kwh becomes less and less in relation to fixed costs. It is this fact that makes more abundant use of electric energy important.

Abundant use is the paramount objective of all rural electric systems that want to be of maximum service to their members. We therefore have a highly desirable relationship—low rates contribute to high use, which results in ever lower costs per kwh delivered.

Another value of the indicated rate design is its simplicity. Unfortunately people are not as conscious or knowledgeable of the price tags of electric power as they are of the price tags on a loaf of bread or on a pair of shoes. Generally people do not equate their electric bill with kwh used but rather they equate the bill with the satisfactions they may receive from electric cooking, electric heating and cooling, refrigeration, electrically operated laundry and dairy equipment. A simple rate schedule contributes materially to understanding electric power costs. This simple schedule will assist the power use people in interpreting costs much more easily in terms of the above mentioned benefits that the consumer desires.

To put a rate like this into effect may require boldness and faith. It may be that by introducing such a rate schedule now in your system would only bring about the earning of enough revenues to break even. However, with a dynamic power use program it can be done—done so as to strengthen the financial structure of the system and also contribute to the abundant use of electricity.



Ten Questions to

Test the Efficiency of Your Office

By H. B. MAYNARD, WILLIAM M. AIKEN and J. F. LEWIS

EMployees in the average office work at about 60% of their capacity. Unfortunately, management has labored under the illusion that, because office employees perform many and varied tasks and occasionally have to make decisions, it is either impossible or impractical to control their work or fix productivity standards for them.

Many rural electric systems are concerned about the increasing amount of clerical work and pyramiding office costs. As in any problem, the first step is to make a diagnosis of the symptoms. Symptoms of low efficiency in the office are rather concrete and show up when the following features of office work are observed:

What Is the Character of the Work?

The type of work handled in an office is indicative of the degree of control that can be applied. The types of work which are amenable to control devices are those involving large volumes of similar type work. If a large number of employees are engaged in the same or similar types of work with only moderate fluctuations in volume, without critical deadlines, then such activities can be easily measured and controlled through work sampling and individual work counts.

Have Definite Assignments and Work Counts Been Made?

One of the best indications of high efficiency is the presence of records showing definite assignments of quotas of work to individual workers and follow-up counts of work produced. If the supervisor does not know accurately how long the various tasks should take, the very presence of an effort to give definite assignments indicates a better than average performance.

Are There Written Procedures?

The presence of written procedures for office tasks is often an indication that the

work in the office is well planned and that work habits at least are clearly specified.

How Common Are Interruptions in the Orderly Flow of Work?

One of the tell-tale symptoms of low performance in the office is having continual interruptions in the flow of work. If employees on routine work are frequently going out to the files to talk to other workers and the supervisor, the efficiency is probably low. This may be due to a lack of a clear procedure, poor instructions, poor performance or frequent crisis situations.

What About the Supervisor's Work Pace?

One of the most misinterpreted situations in the office is an extremely busy supervisor. So often this is taken as a sign of a good supervisor. If the people under him are not working effectively, no matter how much the supervisor works, the office will have a low overall performance. Very often the supervisor was promoted to the position because he knew all the details of the work and was a hard worker. When he became a supervisor he continued to cling to these same work habits, did not delegate, did not fix responsibility. As a result, he overburdens himself with detail work, much of which should be passed on to his subordinates.

How Many Reports Are Being Prepared and for What Purpose?

A brief analysis of the reports prepared in an office often indicates ineffectiveness. When reports do not appear to serve a useful purpose, when there is questionable duplication of the same information, there is a fairly good indication that the supervisor is not alert to this as well as other phases of his management responsibilities.

How Many People Work on a Given Document?

NRECA MANAGEMENT QUARTERLY

One of the most frequently considered factors in an office is the number of people who work on the same document. The adage, "The part least handled is the part best handled," applies just as much to office work as it does to shop work.

What Is Your Trend of Office Costs?

A valuable guide to diagnosing the present efficiency of an office is to compare the trend of office costs to other costs or to sales volume. If office costs have risen much faster than sales over a given period of time, such as a year or longer, it is probable office costs are out of line and should be investigated. On the other hand, if office costs remain constant or show a downward trend while sales volume has expanded, it is a good indication that some control is being exercised.

How Much Overtime Is Being Paid For?

A sure symptom of ineffectiveness in an office is an excessive amount of overtime work. Certainly many cases of overtime work are preferable to the addition of full time personnel. Periodic peaks in office requirements or an occasional surge in work may necessitate overtime. In most cases, however, comparison of the number of hours of overtime with the total of office hours can serve as a rough gauge of the ability of management to foresee the amount of work and to prepare for it. If there is a high percentage of overtime for any individual or group in the office and there is no unusual work situation, this should be questioned.

Are Reports and Other Paper Work Often Late?

If reports are chronically late or if the office is continually behind in getting out its work, it is an indication that control is lacking.

Productivity Standards

Has an effort been made to establish productivity goals which are realistic and accepted by the employees? The absence of such productivity goals, as well as the lack of a performance appraisal program, is a sure indication of a lack of control in the office and therefore a proportionately higher standard cost for routine repetitive clerical operations.



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WILLIAM M. AIKEN, vice president of H. B. Maynard & Company, Inc., is an authority on Methods-Time Measurement who has specialized in standards development, methods analysis, and wage incentives. One of the earliest practitioners of Universal Office Controls, he is an industrial engineering graduate of the University of Pittsburgh, and spent several years with Westinghouse Electric Corporation as time study supervisor before joining the Maynard Company in 1946. JOHN F. LEWIS, senior consultant at H. B. Maynard & Company, Inc., is a consultant whose field of specialty is management control. He has completed many assignments on improvement of paperwork, on clerical standards, and on procedures analysis. With the Maynard Company since 1953, he was graduated from Amherst and is also a graduate of General Electric Company's Business Training Course.

New Frontiers in Public Relations

By A. D. MUELLER

IN A recent issue of *Look Magazine*, the eminent and scholarly senior journalist, Walter Lippman, expressed grave concern over the ugly changes that have been taking place in American business.

Well known for his apt phrases and terse evaluations, Mr. Lippman pulled no punches in registering his contempt for much of what business and commerce are doing in pursuit of the Almighty Dollar.

He observed that business today seems to have as its credo: "Anything goes, as long as you can get by with it!"

In industrial circles, in business meetings, in Chamber of Commerce seminars—wherever men in charge get together to advance their views on American free enterprise—the accepted criterion appears to be: "If it will make money, that's all that really matters."

This is why Walter Lippman, in his study, was forced to reach the conclusion that there is a frightening deterioration of moral standards and professional eth-

ics in the business community today.

Whether we like it or not, this is the climate in which many of our consumer-owned cooperatives operate.

We all know that advertising, by newspapers, by radio and television, through farm publications and other media, can have beneficial effects.

We have all worked, to varying degrees, with employee-orientation methods to strengthen our "public relations," knowing that well-informed loyal personnel will speak a good word for the cooperative.

We have made extensive use of house organs to keep our directors, our personnel and our sister-cooperatives advised of our activities in the hope they will tell others what a good job we are doing.

Nearly every cooperative has a membership publication. It may be only a hastily put together mimeographed or multi-graphed report. It may be a slick-paper multi-color printed job, painstakingly edited, profusely illustrated, which goes like clockwork on schedule to its readers. But it is an essential ingredient in our admixture of public relations.

And, of course, most of our regional cooperative wholesalers, our state organizations and our national association have their member and consumer publications, all of them together reaching millions of rural and urban mailboxes throughout the nation.

So, with our personnel orientation sessions, our many publications, our countless cooperative meetings, our speeches to Rotary, Kiwanis and Lions clubs, our news releases, our highway billboards, our radio farm broadcasts—with all these things and more, we are blasting away on the "public relations" front. It stands to reason we are doing a good job.

Does "Right Make Might"?

Outnumbered in dollars, in personnel, and in all the resources necessary to wage a "public relations" battle with our enemies and our competitors, as cooperatives we must take comfort in our smug knowledge that "right makes might," and "the truth will out."

So we look to Providence to take care of its own!

A. DAVID MUELLER, general manager of the Indiana Statewide Rural Electric Cooperative for the past 11 years, and also serves as editor of *Indiana Rural News*. Mueller attended Iowa



State College and Southern Illinois University. He has completed eight NRECA Institutes as well as several Workshops. Prior to going to Indiana as manager, he was for three years manager of the Oklahoma Association of Rural Electric Cooperatives. In this capacity, he also served as editor of *Oklahoma Rural News*.

He is affiliated with the American Institute of Management and the American Society of Agricultural Engineers.

In addition, he served on the original NRECA Management Advisory Committee, and later on the Public Relations and Member Education Committee.

Our cooperatives have done a good job in keeping pace with the growing demands of our members.

We have vastly increased in size and greatly broadened our services. We have opened up whole new avenues of credit and financing. We have learned the value of research and the importance of developing new products. We have reached fiscal soundness and co-op leaders have attained a real sense of corporate responsibility. We are going concerns.

But we still have most of our original concepts of public relations. Too many of us still are hopeful that if we can just go on doing a good job as cooperatives, public relations will somehow take care of itself.

It won't.

Faced by the same enemies—and many new ones—our cooperatives are indeed on a new frontier in this public relations battle. We have no choice but to accept the challenge.

The first thing we must do is throw out most of our preconceived and mistaken ideas about public relations. It's time to take a fresh, new look at what we are doing wrong, what we are leaving undone, and what we might better be doing to win public confidence for the cooperative movement in America today.

Public Relations Amateurs

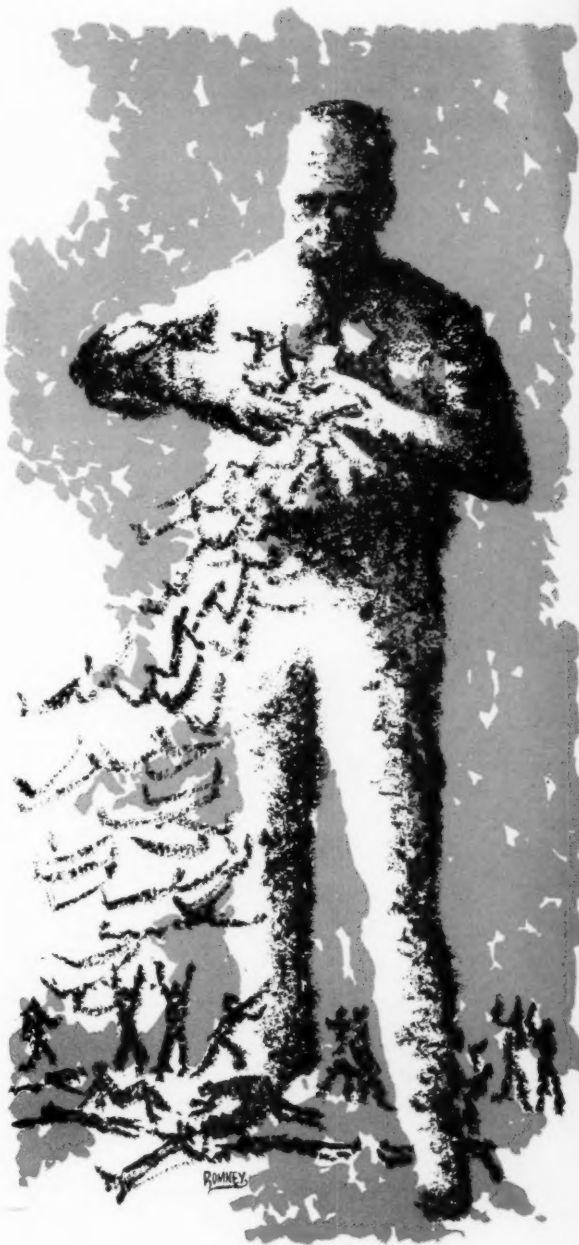
Over the years, as our cooperatives have grown and prospered, and picked up new opposition with every turn of the wheel of success, we have approached the need for public relations as rank amateurs.

Talk to most co-op leaders today and you learn that their "public relations" program got started only after danger signals got so conspicuous they no longer could be ignored.

Only after the manager and his directors got really scared did they decide they had better take some action. They simply had been goaded, finally, into making some kind of answer to charges of tax evasion, government subsidy, unfair competition, Socialism and worse, leveled against their cooperative by the slickest users of professional public relations in the business.

This kind of action is purely defensive. It marks much of our cooperative public relations today. We limit ourselves to telling the public that what our enemies are saying about us just isn't so.

It also has been too characteristic of



**"Anything goes, as long as you
can get by with it!"**

our public relations approach that we instinctively distrust professionals. It has long been a painful observation that far too many directors—farmers for the most part—stubbornly adhere to the narrow view that unless a public relations specialist “came from the farm” he is automatically suspect. Without a farm background, no matter what his other talents, he just isn’t the right person to work for the cooperative. He just wouldn’t be able to understand the “problems” of agriculture.

This viewpoint is all too frequently conveyed to cooperative management with disastrous results for our public relations. To impress his directors, and to comply with what he knows to be their sentiments in the matter, the manager recruits only “home grown” employees. No room for “city slickers” where a farm or rural cooperative is concerned, no sir.

Built-In Prejudices

So we have not seen fit to engage trained specialists in a highly specialized field. We have not done so, either through our inability to recognize the need for public relations or our reluctance to go into a full scale, lay-the-money-on-the-line, all-out program. Also, perhaps because our built-in prejudices have kept us from going after top-notch public relations talent and putting it to work telling our cooperative story.

It is not pleasant to dwell on this aspect of our public relations, but check into the matter and you will find that as cooperatives we are spending some rather impressive sums for our house organs, our local, state, and regional publications, our radio shows and commercials, many of our other so-called “public relations” efforts—and getting very unimpressive results.

On too many occasions to recall, I have attended public relations seminars where outside, objective experts have appraised our literary efforts, our methods and our talent. The reports, too often, are devastating.

We just haven’t acquired the talent we must have, by and large, to do a truly effective public relations job. We’re paying for something and not getting full measure. And with our false economies, we’re losing the public relations battle.

Public Relations Experts

Even worse than this is the impossible situation created by all of the self-ap-

pointed “public relations experts” to be found in our cooperative ranks.

For some unaccountable reason, we have directors and managers and staff personnel who have convinced themselves they know all the answers to a sound, effective public relations program.

This sometimes comes about after a manager or one of his staff succeeds in getting an item in the local papers—or a good plug for the cooperative over the local radio station—or makes a series of talks and is well received at meetings in the cooperative community. Directors, too, make some good speeches and they, too, sometimes are victims of this PR bug. After a taste of recognition, they usually come up with the question: “What’s so hard or mysterious about public relations?”

Maybe it’s just the “ham” in some of us—or a deep psychological need for attention—but all too many of our cooperative leaders have just enough knowledge of public relations to be dangerous.

Why call in experts, why pay out fat salaries for specialists, why invest in professional talent for public relations when we’ve already got folks who can do the job just as well?

Of course, we haven’t got the talent—not nearly enough of it in our cooperatives. But it salves our ego to think we have—and saves money too. While we are catering to our prima donnas, we’re also losing the public relations battle.

Well, we don’t need to lose the public relations battle.

It is not enough to answer the attacks by our enemies. Our cooperatives have a terrific story to tell. We have truth on our side in this battle for men’s minds. We merit the confidence of the American public.

But we must have the courage of our convictions, not just in believing in cooperatives, but in telling the world about them.

And this takes doing by those who know how.

Requires Our Best Efforts

Our new frontier, our public relations challenge, in the future must start with a decision to put the best talent to work we can find—from wherever we can get it—to let the public know what we already know about cooperatives.

Every cooperative must have a recog-

nized public relations specialist—acquired as a professional or trained by the cooperative—to serve as a full-time adviser on policy to the manager and to the board of directors. He also must be at the policy-directive level in carrying out the aims and objectives of the organization, setting its public relations course from board policy, through operations, until the desired objectives are attained.

We no longer can do public relations on a hit-and-miss, counter-attack basis. It must be adequately financed. It must be organized, policy-approved, expertly done. It must take the offensive in telling the co-op story. It must mold public opinion, not answer it.

We must do this. We must have a public relations specialist, with talent and training for his job, in every individual cooperative.

This, in turn, will create a pool of public relations talent to augment and strengthen the public relations programs of our state and regional and national organizations. Working together, we can do the job.

We are no longer amateurs in the cooperative business.

We can no longer afford to be amateurs in the public relations business.

We are indeed at a new cooperative frontier. We have before us a magnificent public relations challenge.

We must accept it.

EDITOR'S NOTE: This was excerpted from a presentation before the American Institute of Cooperation meeting in Minneapolis, Minn., on August 20-23, 1961.

How Is Your Administrative Vitality ?

By GENEVIEVE A. KELLEY

I AM concerned with the major questions central to the problem of preserving personal initiative, loyalty and spontaneity as cooperatives increase in size and age.

A man heading a vigorous enterprise experiences the same thrill as a sailor with a spanking wind, and in each case the question lurking around the border of his consciousness is, "How long can it last?"



G E N E V I E V E KELLEY, manager of the Minnesota Electric Cooperative, has earned an enviable reputation as an outstanding woman administrator. In her role as

statewide manager she has been a leader in legislative accomplishments, participated in educational programs, and has worked unceasingly toward community acceptance of the rural electrification philosophy and goals.

Some associations never seem to develop energy at all because they lack some vital ingredient such as incentive, or leadership, or the ability to discard worn-out traditions. Why? What is the secret of vitality in administration? What insures growth and prevents decay?

Responding to Changing Needs

In studying the vitality of a cooperative, one must draw from a number of sources. Vitality in administration is energy plus endurance, the ability to compete and the power to survive. Vitality is also a kind of graciousness that offers people satisfactions that are qualitative and subjective. A vital enterprise responds to people and to circumstances, and adapts to changing wants and conditions.

In a competitive field such as ours, where the margin of difference between mere survival on the one hand and a sound financial structure on the other is often small, the firm that attracts and retains the customer is a vital one. It puts out the best product or service and makes improvements in them ahead of its rival.

The vital firm has the clearest objectives and policies. It rewards initiative and invention. It has developed reliable means of measuring efficiency, qualitative as well as quantitative. It is adept at plan-



ning and scheduling work aimed at reducing waste and securing economy of effort. And most of all, vital administration creates an environment in which everyone, employees and consumers alike, is enthusiastic about the service, the reputation of the cooperative and the atmosphere that permeates it.

Organizational Fatigue

We talk of fatigue curves that operate in an individual. They also operate in business as a whole and in nations. Like people, nations are capable of periods of intense concentration. However, if long continued, intensive work leads to physical and spiritual fatigue and then to listlessness, indifference and decay. Managers must as skillful administrators find ways to avoid this fatigue while maintaining a high level of performance.

Economic growth is really the spirit of adventure. Growth means not only internal expansion but also an adjustment to external influences. What you were doing 20 to 25 years ago is no criteria for what you should be doing today.

When the response in business is no longer equal to the challenge, then it is time for a change. This goes right down the line from the director to the lowliest employee.

Measuring Your Energy Age

What is the energy age of your cooperative? It may be either greater or less than its calendar age.

Do you have fuzzily defined objectives

or outdated policies or precedents that make it easy to ignore the onset of change?

Do you have policies that are clearly understood by those who administer them and all those affected by them?

Do your employees know that an appraisal of their services can result in a merit raise and that such adjustments are not automatic?

Do you have employees, especially your specialists, who try to insulate their work, thereby trying to make themselves indispensable?

"Rising Pyramid"

Does your cooperative come under the "rising pyramid" where the size of staff has no relation to the amount of work to be done, or do you operate on the theory of holding down the pyramid and crowd your staff down to the "squirrel in a cage" performance? Everyone on your staff should be made to feel he or she is an important cog in a smoothly running machine.

In staffing an organization, it is important to choose experts over friends. Ours is a specialized field which will become more competitive with the years. Another thing to remember is that the seniority system has its disadvantages. We will soon be reaching the stage where our pioneers in the cooperatives will give way to new people. Monopoly of human resources in a business plays the same role as arteriosclerosis in the human body. If economic progress is to continue in our cooperative, we must look to energetic, quick thinking individuals.

Coordinate and Unify

The outstanding characteristics of good administration are relating the diverse parts of organization, coordinating and unifying them in order to achieve the overall objectives as efficiently as possible.

My concern for our rural electric cooperatives is to constantly strive to maintain administrative vitality, and to maintain an alertness to outside pressures we must anticipate our competitors' next move. We must also prepare to meet our service areas' needs for future power requirements in order to serve all the needs of the community.



Identifying Our Training Needs

What are our training needs? This is a question often posed by the manager of a rural electric or telephone system, inasmuch as employee productivity and morale are inseparably tied to effective training accomplishment.

Too often the philosophy "We're too small an enterprise to have an organized training program" or "we can't afford the cost of a training program at this time" legislate against a precise assessment of training needs.

Training Needs Indexes Available

The problem is how can we accurately assess the exact training needs of our people. It is to be emphasized that there are many indexes available to the supervisor which delineate training needs in specific areas for particular individuals. It must be stressed that all training must be customized to the individual employee inasmuch as each person has specific developmental problems.

The astute supervisor is one who uses production records, quality control records, work counts and individual performance appraisals and counselling as guides to pinpoint needed areas of improvement, on an individual basis.

Job relations training includes principles of human relations, how to motivate personnel to high level productivity, principles of orientation and persuasive methods in stimulating high level productivity.

If a review of group productivity as well as individual productivity through work sampling and work count indicates that considerable improvement in both quantity and quality of work is essential on both an individual and group basis, then it is apparent that an accelerated

course in skills upgrading must be embarked upon so that all employees will quickly meet journeymen productivity standards.

Timetable Should Be Established

Once the supervisor has made this analysis of training needs, he should then list such an inventory of needs on a training timetable. This is really a chart which shows the particular training needs of the individual employees, indicating the priority of training requests and the best dates to schedule such training consistent with production and operational requirements.

The rural electric and telephone systems have real training needs, especially in the areas of job relations, job instruction, and skills upgrading training. This is verified by the fact that presently, outside of safety education and basic craft apprenticeship instruction, little or no training of a formalized nature is carried out.

A full realization of the urgency of this need is apparent when we review our constantly spiraling labor cost which in some cases is reaching 50% of total operating cost.

This is a clear reflection on the relatively low productive output of individual workers whose salaries are constantly increasing without a commensurate increase in individual productivity through improved skills application. In order to control labor costs, it is necessary that precise developmental programs be instituted for each employee and that every supervisor be held accountable for his section or department accomplishment in attaining productivity goals consistent with nationally accepted patterns.

In order to accomplish the above results, it is necessary to immediately survey through work sampling and work count the exact quantity and quality of work being produced by individual staff members. Performance appraisals will personalize training needs. The training program will then be tailored to the requirements of the individual. Training results will be carefully assessed.

Dividends accruing from such a program should greatly enhance production and improve individual morale.

Yes, training is very essential if labor costs are to be controlled, and the need is even greater in the small organization, such as rural electric and rural telephone systems.

Manager in Profile



THE MAN: Marcus Stewart, manager, Sand Mountain Electric Cooperative, Fort Payne, Ala., since 1940; has served as president of the Tennessee Valley Public Power Association; vice president of Alabama Rural Electric Association; chairman, North Alabama Power Distribution Association; member of the Public Relations Committee, NRECA, and former secretary of Alabama Job Training and Safety Committee; active in local church and civic clubs.

EDUCATION AND EXPERIENCE: B.S. in Commerce, University of Tennessee; registered engineer, State of Alabama. He was employed by Tennessee Electric Power Company and later was on the TVA staff.

THE COOPERATIVE: Serves 12,490 members in Northeast Alabama. Power furnished by TVA. Total assets \$4,401,180. 1810 miles of line. Stewart was asked his views on questions regarding the co-op.

What, in your opinion, can and should be done to improve member relations?

"In my opinion, the first and foremost thing to be done for good member relations is provide good service. By this I mean good voltage, continuously with an adequate supply of electricity and then information and help in planning for the use of this power so that the member may receive the most benefits possible from his electric service. Next, keep the member informed. Our president, at the start of the cooperative in 1940, said the biggest problem that we have is education. We must teach the members not only how to use electricity safely but what it can be used for. This is still the goal of Sand Mountain Electric Cooperative. We feel that our statewide paper with the local Co-op Section is one of our greatest assets

in attaining this goal. Well-informed Minutemen, the schools with which we cooperate, and a good annual meeting are other means of educating the members.

"We try not to miss a chance to be a good citizen in our area and work with the 4-H Clubs, FFA and FHA, the Community Improvements Clubs, and other organizations. We helped to organize the telephone cooperative in the area. We are now in the process of promoting a rural water system to serve the more thickly populated part of our area."

In what way can the manager be of assistance in educating the board to most effectively handle their role in the cooperative?

"I think it is part of the manager's job to keep the board informed of all operations and other activities in the area that affect the progress of the cooperative. This can best be done with proper reports. The next most important thing is to encourage the board members to attend regional, statewide and national meetings where they can learn of the rural electric operations in the state and nation and contact members of other cooperative boards who have similar problems."

What noticeable improvements have you observed that your cooperative has derived from the advanced and special training you have given your department heads and other supervisory personnel?

"We have had the manager and three other staff members complete the NRECA management course of seven institutes. Other staff members have attended various workshops and institutes. This training has enabled all to improve their performance on the job. To me, the most striking and noticeable improvement is their ability to make decisions."

What role do you think the cooperative manager should take in participating in community, state and national organizations, committees, and so on? Why?

"I think the cooperative manager should participate as much as he is able in all community, state and national organizations, and committees where he can be of service to the organization and promote the rural electrification program. If the manager and trustees do not participate in these activities, they may be handled by someone who is not sympathetic to the rural electrification program."

NRECA MANAGEMENT QUARTERLY

Director in Profile



I BELIEVE that cooperatives have a great part to play in agriculture and rural life because they give rural people the opportunity to administer their own affairs, to help each other and to work together. I believe that when a service or product is difficult to obtain that a cooperative should be organized by those concerned to effect self-help." These are some of the stated beliefs of Morris W. Birkbeck, a director for 22 years with the Jo-Carroll Electric Cooperative of Elizabeth, Illinois. During that time he has served the board as both Treasurer and President. He is presently serving as President of the Farmers Exchange of Galena, Illinois, a cooperative which deals in bulk and retail petroleum products, feeds, seeds, and farm supplies. From 1941 to 1957 he was a board member of the Dairyland Power Cooperative, of Wisconsin (the nation's largest REA financed G & T system). He is also a board member of the Illinois Statewide. This is a record of participation in cooperatives any director can be proud of.

Mr. Birkbeck feels that the duties of a director of an electric cooperative grow more demanding each day. "The role of the electric cooperative director is changing as are those in other cooperatives as more pressure is brought to bear on cooperatives by interests outside of the cooperative movement. Directors must keep their own house in order and see that all of our publics are correctly informed of our aims and goals." Mr. Birkbeck went on to emphasize that cooperatives are being subjected to ever increasing economic and public opinion pressures. He feels therefore, that first, our aims and goals should be of the highest order, and that more and more people be correctly informed of these aims and goals and how they affect them.

He feels that a director has specific ob-

ligations to the members who elect him. "The most vital function of a rural electric cooperative board member is to see that the ideals and purposes for which the cooperative was formed are carried out. The board member is the representative of the members he serves. Outside of the board meeting, it is his duty to determine what the member needs are and to assist in interpreting these needs into appropriate policies, plans and programs to be adopted at the official meeting."

Board-Manager Understanding Vital

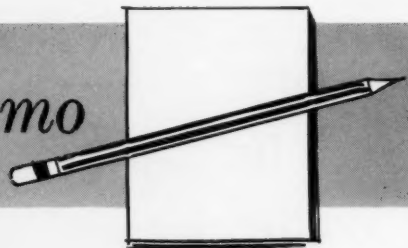
Mr. Birkbeck believes in complete understanding between the board and the manager. "The manager is running the cooperative's business under policies determined by the board. If a question of need for new or revised policies presents itself, the manager should make an appropriate recommendation to the board for their consideration. A smooth working relationship must exist between the manager and the board not only in developing policies, but in many other areas.

The manager should keep the board well informed on all of the functions of a cooperative. The well informed board can function much more efficiently. On the other hand the board member should convey all important information of happenings in his district to the manager. He should serve as a barometer of member feelings and report between meetings by a newsletter or memo in order to continually inform, broaden and educate his board. To help solve any problems of relationships between different cooperative groups Mr. Birkbeck states, "I believe that a much better working relationship between cooperatives can be effected by having meetings between the groups in the same area. Understanding each other, I find helps considerably. In this way, I believe that a much better working relationship can be accomplished."

Directors Tell The Story

Mr. Birkbeck feels that the electric cooperative story should be told and that there are many opportunities for it to be told by directors themselves. He states, "I find in my contacts with various directors of cooperatives that they are a group having many other interests in organizations outside the cooperative circle, in local, state, and national affairs. These contacts give them numerous opportunities to tell our story; today a most important objective!"

Management Memo



A New Approach to Selecting a Manager

By ROBERT I. KABAT

Director, NRECA Management Services

(This is the first of a series of two memos on some new techniques in selecting a manager. It is hoped these articles will serve as a guide to boards facing this important responsibility.)

WHEN we discuss the major functions of the board, the LTPRC of the board's job, the R stands for providing operating requirements. This includes providing the finances, facilities, equipment and that most important operating requirement, the manager. About every year, 60 rural electric boards and five to ten telephone boards select a new manager—a decision which will affect the system for many years.

REA made a study of manager turnover from 1951 through 1955. This study shows turnover to be the highest in the western area and lowest in the northeast. It also points out that 85% of the new managers selected during that period were employed by a rural electric system just prior to their appointment as manager. This is a real milestone in the program. It means we are developing a trained pool of potential managers right within the rural electric systems.

Those selected as managers most frequently were employed in these positions prior to their appointment as manager according to the REA survey: manager, assistant manager, office manager and engineer. Also according to the survey, 53.1% of those selected had some college training, mainly in electrical engineering. Probably the percentage of new managers having college backgrounds is increasing. Instead of primarily engineering training, there is an increasing number having college specialization in business administra-



tion and management. Also, some boards will only consider candidates who have completed a majority of the NRECA basic management institutes. An increasing number of boards believe this is the best source to secure management training tailored to meet their needs.

As the systems grow in size and face even more difficult problems, the job of manager becomes more complex and more demanding. At the same time, the systems now have achieved the degree of stability which should enable them to attract top people to their management jobs. Perhaps this may serve as a guide to you in selecting one of these top people when you must make this important decision.

All of us could list many things the manager must do. But, better than such a list is a comprehensive statement of what the board is willing to delegate to the manager and what it wants to retain for itself. The statement of what the board is willing to delegate to the manager can be described in the manager's job description. What it leaves out of this description and also what it puts in the written statement of functions of the board will tell what the board wishes to retain and not delegate to the manager.

The manager's job description then becomes a most important tool in selecting a manager. It will give the board a measuring stick against which to measure

all applicants—can they do the job we want done as outlined in the description? It will also give the candidate an opportunity to do some soul searching about the job. Can I do the job this board wants done. Can I work with a board which is willing to delegate these responsibilities to me? Are there others which I believe should be delegated and which are so important I may want to determine their reaction to them during the interview? Candidates should get to raise such questions during the interview.

If at all possible, the preparation of the job description of the manager should start now under your present manager so you can benefit from his understanding and experience on the job. Also, it will not leave the board without this important aide if they find themselves in a position where they unexpectedly have to select a new manager. The description should be carefully prepared by the manager and thoroughly reviewed by the board.

Format for Manager's Description

We recommend this format for the Manager's description:

- I. **Objectives.** Statements of end results you expect your manager to achieve.
- II. **Reporting Relationships.**
 - A. Reports to: Board of Directors
 - B. Directs: Department Heads
- III. **Authorities and Responsibilities.**
 - A. **Planning**—responsibility for developing plans in such areas as policies, objectives, budgeting, annual work planning, financial and engineering planning, retail rates, power use and member and public relations as well as carrying out study and research.
 - B. **Organizing**—major responsibilities in such areas as developing the organization structure, staffing, wage and salary administration, performance appraisal, training, etc.
 - C. **Operations**
 1. Directing—the major delegations the manager will make to his department heads.
 2. Performs personally—those things the manager must do himself which he can't delegate and which don't fall under another major category in the description.
 - D. **Controlling**—responsibility for developing controls to determine how performance compares to plans described in III(A).

IV. **Relationships**—Those relationships the Board expects the Manager to maintain in these areas:

- A. Internal—with the board.
- B. External—with such diverse groups as the members, the auditor, the attorney, REA, community and civic groups, suppliers, etc.

This written job description will serve as an invaluable tool to describe what you expect your manager to do and to use as a yardstick to determine if those who apply can do this job.

What Type of Man?

Now that you have spelled out what the manager does, you must decide what type of man it takes to do this job. The type of man can be described in a written job or man specification. This should be carefully developed by the board prior to looking for a new manager.

A format for this man specification which we have found works well includes:

- I. **Experience Required**—type and number of years of experience you are looking for—e.g., ten years of experience as manager of another rural electric system or as a department head in a larger system.
- II. **Education Required**—in what field and number of years—e.g., college degree in business administration or management preferred.
- III. **Attitude Required**—may include such areas as believing in the rural electrification and Federal power programs and the right of people to use the cooperative approach to run their own business and provide an essential service.
- IV. **Knowledge Required**—may describe areas where the candidate should have sufficient knowledge to develop plans and establish controls, to determine the end results being achieved in such areas as construction, operations, maintenance, office management, power use, etc.
- V. **Skills and Abilities Required**—may include items such as the ability to deal effectively with people of diverse backgrounds in a consumer owned organization, skill in applying the basic management functions and in advising and assisting a board, etc.

This man specification will give the Board a common understanding of the type of man they're looking for. Each candidate

can be measured against these specs. It is also hoped the candidates will compare themselves against the specs to determine how they measure up to what the board is looking for. But, where can you find the man?

A term fairly new to the rural electric and telephone systems is search. By search we mean engaging some group or organization to search for the best men available for your manager vacancy. This means the group making the search should be completely informed of your needs—the content of the job (the written job description) and the type of man you are looking for (the man specifications). It would be desirable to send them copies of these along with the salary range for the position.

The search group can then seek out the best people for the position and send you detailed information about them.

Why is search better than advertising? The group conducting the search probably knows the men they will recommend—their skills, abilities, successes and

problems. The search group could also be a group which knows the program well and perhaps the needs of your own system. This would guide them in the search for the person most able to meet your needs.

Who can do this in the rural electric and telephone programs? REA can be of real help. Perhaps your statewide organization may help. We here at Management Services also may be able to facilitate your search on a professional basis.

Does this mean you shouldn't advertise the vacancy? Not necessarily, but I wouldn't do it if your search group recommends well-qualified applicants. It may be better to have the job seek the man than the man the job.

In this article we have gone through the first three steps in manager selection: (1) defining the job—the job description, (2) describing the type of man to fill the job—the man specification, and finally (3) the search for the man. In the article in the next Quarterly we'll follow the selection process through the various remaining steps until the man is actually hired and oriented to his new position.

Automation and the Manager of the Small Utility

By ARNOLD D. PALLEY

Vice President, John Diebold & Associates, Inc.

IN A recent issue of the Management Quarterly, John Scott, Assistant REA Administrator, presented a set of excellent guidelines to REA borrowers interested in mechanization of accounting operations. I would like to expand upon his article, emphasizing the possible effects of a new wave of data processing equipment designed for low volume operations, and also to point out what individual management can do to prepare itself for the somewhat frightening and often very confusing advent of clerical automation. The large commercial power companies helped pioneer the use of automatic data processing equipment; they have realized sizable economies through the use of electronic computers and are now installing a second generation of computers for future gains. Smaller utilities, like small business of all kinds, have patiently awaited the fruits of clerical automation but until very recently

these fruits have been slow in ripening.

One reason for this slowness had been the unwillingness of data processing equipment manufacturers to rush into the development and marketing of inexpensive equipment for small volume operations. These companies devoted their necessarily limited resources (the ante for entry into the game of manufacturing data processing equipment is extremely stiff), to fill the needs of a very receptive and affluent market—high volume accounting operations.

More recently, attention has been turned to the smaller business and, although Mr. Scott is wisely conservative when he states that "REA borrowers, at present, have limited application of computer processing," such a profusion of electronically modified typewriters and accounting machines and small data processors now exist, offering such a degree of calculating flexibility, that a distinction between these devices and computers is a matter of very narrow definition. And, this array of equipment is well within the price range of many REA borrowers. In addition, the

cost of punch card equipment has been greatly reduced. The widespread availability of punched card and computer service bureaus also helps to bring automatic data processing closer to home. Finally, there is the largely unexplored possibility of group ownership and use of automatic data processing equipment by a group of noncompetitive users with similar procedures.

This sudden bloom of automatic data processing equipment suitable for use by the small business will also help to remove what has been a second obstacle to the use of automatic data processing, its hitherto high volume break-even point. As equipment manufacturers continue to invade the bountiful market for low volume low unit cost data processing equipment, the choices are bound to become even more difficult to contend with. The pressures from intensively competing salesmen, all working on a narrower commission base, often inadequately trained to sell a complex product for a complex use, will add a touch of "hard sell" to an already cloudy situation. The potential small user will be in the paradoxical position of having many more alternatives to choose from than did his bigger brother a few years ago or perhaps even today.

Despite the increasing availability of appropriate equipment, the greatest obstacle to the spread of automatic data processing (especially amongst small businesses) has been the impossibility of rapidly teaching an entire generation of management the new way of thinking about clerical operations necessary to successful use of the new equipment while at the same time providing a working knowledge of the equipment itself, and creating an entirely new class of systems technicians. Who, in fact, ever heard of a "system man" four or five years ago?

This level of technical knowledge and expert competence is as necessary to small business as it was and is to large data processing installations. The cost falls as a much heavier burden upon the small user; and as in so many other cases, the top management must be both specialist and generalist. Yet in this case these top executives cannot spare the lengthy time to become technically trained.

One tendency is to turn to the equipment manufacturers and equipment salesmen to provide much of the technical competence. However, this is becoming less

ARNOLD D. PALLEY, Vice President, John Diebold & Associates, Inc., brings to his position extensive and high level experience in the area of automatic data processing. Following



graduation from the University of Chicago, Mr. Palley was five years management analyst for the United States Civil Service Commission.

Subsequent projects of a consulting nature having involved the mapping of an Automatic Data Processing Plan for a major public utility company. He also was responsible for the design and installation of a computer system for a large state highway department.

and less satisfactory; the equipment manufacturer cannot profitably devote a great deal of time to a small account.

The first thing that a manager can do to prepare himself for clerical automation is to gain as much clear knowledge of the subject as possible. There is now an increasing availability of courses in data processing. Many universities and colleges are offering courses, the American Management Association and other national management organizations are regularly sponsoring courses, and it has been suggested that the NRECA would be performing a valuable service by sponsoring courses specifically tailored to the needs of the rural electric systems.

Fortunately, there is enough similarity in the accounting goals and methods of REA borrowers so that one can envisage a central source of expert competence and counsel available at a lower cost than in the case of many small businesses.

Finally, the REA manager in search of technical competence might consider using the administrative service departments of public accounting firms or of reliable professional management consultants. It is, however, an enlightened management that will bring about the greatest efficiency and usefulness of clerical automation in the small utility—without it the machines and services are idle tools.



THE LABOR FRONT

Significant Trends in Union Contracts

A RECENTLY published analysis of 380 union contracts in the utility and manufacturing industries reveals an interesting comparison with a similar study made in 1958. The study deals with supplementary wage practices, fringe benefits, and miscellaneous provisions. Although the contracts varied widely from industry to industry and from one locality to another, the study contains information that should be useful to rural electric systems headquartering in small towns. Here are the highlights:

Deferred wage increases. The company and union sign a contract for a five-year period with increases to become effective each year. The recent study revealed deferred increases in 55% of the contracts examined, compared with 38% reported in the 1958 analysis. The gain reflects the great popularity of long-term contracts which are closed for all purposes through the life of the contract. An examination of deferred increases becoming effective in 1961 shows that the average deferred adjustment is 10.2¢ an hour.

Escalation clauses. Escalation clauses also have spread, appearing now in 29% of the contracts as against 20% three ago. Nearly two-thirds of the provisions provide for a 1¢ change in wage rates for each 0.5 change in the BLS Consumer Price Index.

Wage re-openers. In the recent study 33% of contracts—generally those not providing deferred or escalation increases—contain clauses permitting renegotiation of wage rates some time during the life of the agreement, a decline from 37% in 1958. This is largely accounted for by the increases in the number of long-term agreements providing automatic deferred increases.

Reporting and call-back pay. Reporting guarantees appear in 86% of recent contracts—about the same as 1958. The guarantees are more liberal now: 92% of reporting-pay clauses guarantee at least four hours' work or pay to employees who report as scheduled. Three years ago the proportion was 78%.

Call-back pay for employees summoned to work outside normal hours is provided by 88% of recent contracts, up from 74% in 1958. Four hours' pay is the usual guarantee. However, nearly half the call-back provisions specify a premium rate for the time worked, usually time and a half.

Work or pay guarantees. Guarantees of pay or work now appear in about 19% of the contracts. This represents a gain of some 3% since 1958—attributable to the negotiation of new supplemental unemployment benefit plans rather than new hour guarantees of the traditional variety which assure employees a fixed number of hours of work or pay over a given period of time, usually a week or a year.

Job classifications. Procedures for establishing job classifications are spelled out in 68% of all contracts—recent ones as well as those in 1958. Job classification is considered a management function in 64% of these contracts. But almost 25% require that the union be consulted and an additional 20% require union consent before the classification is established.

Rates on temporary transfers. The study showed that 57% of the contracts consider pay rates for employees temporarily transferred to lower-rate jobs, and 48% refer to pay rates in temporary transfers to jobs carrying higher scales. Immediate payment of the higher rate is specified in

by Walter Clayton



88% of these provisions. Most of the others provide for the higher rate after a specific time lag, generally a week.

Merit Basis for Pay Adjustments

Wage progression plans. Rate ranges, rather than single rates, are provided in 68% of contracts. Half of these contracts provide for automatic progression from a minimum to a higher rate on the basis of length of service alone. Over one-third base initial progression on length of service and subsequent progression on merit. About 6% base progression solely on merit.

Hiring rates. Hiring rates are specifically provided for in about 58% of the contracts. Twenty percent of these provide a lower-than-standard rate for newly hired employees, who then advance automatically to the job rate in some given period of time. Over half set a hiring rate for all jobs.

Expenses. Travel and related expenses necessitated by the job are considered in 27% of all contracts. These provisions cover expenses when away from headquarters; mileage payment for employees who use their own cars on company business, and a daily allowance for travel. Uniforms and tools required by the job are considered in 65% of contracts.

Bonuses. Bonuses, other than direct production bonuses, are rarely a subject

of collective bargaining negotiations or agreements. They are found in about 4% of the total.

Penalties for strikers. Ninety percent of the agreements have no strike clauses. In 37% of these there are penalties for individual participants in unauthorized strikes. Virtually all such clauses specify discipline or discharge; the remainder specify loss of certain benefits as a penalty.

Changes in Leave Provisions

Leave of absence. Some type of leave of absence for employees is provided in 90% of contracts. Types of leave are generally classified as personal, union business, military, maternity, civic duty, funeral, and unpaid and paid sick leave. Time limits for personal leave are specified in 65% of contracts. In 80% of the contracts, the approval of leave requests is explicitly reserved to management. In 5% joint approval by union and management is specified.

Sick leave. In 45% of contracts there is a special provision for leave for unpaid sickness. Paid-sick-leave provisions designed to continue company wage payments for a limited period appear in 18% of contracts. (Since about 1950, the problem of sick leave has been increasingly handled through non-organization sickness and accident insurance plans, which

CAN YOU DISCHARGE A UNION STEWARD FOR FIGHTING AFTER HOURS?



are excluded from the present analysis.) In 12% of the contracts there is a waiting period of one to eight days before sick leave becomes operative.

Some Seniority Provisions Relaxed

Seniority provisions. The proportion of collective bargaining contracts giving weight to seniority in such matters as lay-off, promotion, and transfer is steadily increasing. But clauses in effect in mid-1961 do not appear to be tighter than they were a few years earlier; indeed, there have been some notable examples of relaxation of strict seniority requirements. Reference to seniority is lacking altogether in about 10% of contracts.

Layoff selections are based at least in part upon seniority under nearly nine of every ten contracts—virtually all that refer to layoff. Seniority is the sole or determining factor in layoff under 65% of contracts, carries equal weight with other factors under 7%, and is a secondary consideration under 14%. Bumping rights are accorded to employees slated for layoff under 54% of the contracts. The rights are hedged in various ways, though it usually is required that an employee be able to handle a job to which he bumps, either from the outset or within a reasonable period of time. Some clauses also restrict bumping privileges to employees with a certain amount of service, usually somewhere between one and five years. Work sharing as an alternative or prelude to layoff is envisioned by 24% of contracts.

Promotions are a seniority matter under 78% of contracts—up from 66% in 1958. Length of service is rarely the sole factor, but it is the “determining” factor (assuming the senior employee is qualified) under 32% of agreements. It is a secondary factor (providing the basis for choice is only among equally qualified employees) under 28%. A trial period on the new job is specified by more than one-third of the promotion provisions. More than a quarter of these, in turn, do not fix the length of the trial, referring only to a “fair or reasonable” period.

Seniority status of supervisors in the event of a return to the bargaining unit is considered in 46% of agreements.

Probation in 77% of Contracts

Probationary periods for newly hired employees are expressly required in 77%

of contracts. Thirty days is the most common period of probation, appearing in almost one-third of the cases.

Pension and insurance plans. The spread of negotiated pension and social insurance plans continues at a steady pace. Social insurance plans—providing such benefits as life insurance, sickness and accident payments, hospitalization, and surgical benefits—have all but reached the saturation point. They are found in nine out of every ten contracts.

Life insurance—the most common type of benefit—now appears in 69% of contracts. Three out of every five policies provide the same amount of insurance for all employees. More than one-third gear insurance to earnings and only a few base it on service.

Hospitalization and surgical insurance appear in 66% of contracts.

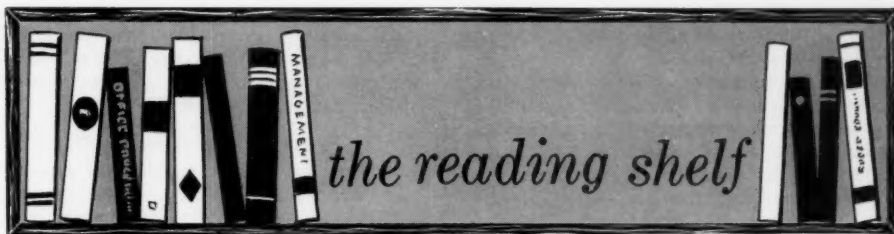
Pension benefits have climbed rapidly in the past three years, partly because plans have been liberalized and partly because social security payments have been increased. Out of these plans that permit extra calculations of benefits, two-thirds provide \$170 a month or more after 25 years' service; in 1958 only one-fifth did so. Almost half the current plans provide a benefit of \$180 or more, and one in seven provides \$200 or more.

Safety Provisions Important

Health and safety are referred to in 65% of contracts. Four-fifths of these agreements specifically make the subject a management concern. Slightly more than half the agreements making reference to health and safety contain some very general statement on the subject.

Safety equipment, such as guards, clothing, gloves, etc., is to be provided by the company in 32% of contracts. About two-thirds of these provisions specified that there was to be no charge to the employee. Another 8% provided equipment either at a reduced price or on a share-the-cost basis, and a very few charge the cost to the employee. The rest are silent on the cost aspect and it is assumed no charge is made.

Physical examinations and the question of an employee's physical fitness for the job are treated in some fashion in 24% of recent contracts. This is an increase of about 25% since 1958.



ELECTRIC UTILITIES — COSTS AND PERFORMANCE, William Iulo. A Study of Inter-Utility Differences in the Unit Electric Costs of Privately Owned Electric Utilities, or as Bulletin No. 34 of the Bureau of Economic and Business Research, Washington State University, 180 pp., 1961, (Price \$7.50) and Statistical Appendix 82 pp. (Price \$10.00) or combined (Price \$15.00)

Reviewed by GUS NORWOOD
Executive Secretary
Northwest Public Power Association
Vancouver, Wash.

THROUGH the use of an electronic computer, Professor William Iulo of the Bureau of Economic and Business Research, Washington State University at Pullman, Washington, concludes that the chief factor determining the relative efficiency of 186 major private electric utility companies in the United States is high consumption of electricity per home.

The second most important factor is a high ratio of residential kwh sales as compared to total sales.

Five other factors given in his book, *Electric Utilities—Costs and Performance*, which significantly affected the unit cost of electricity are low hydro costs, low steam costs, high capacity utilization, high consumption per commercial and industrial customer and the size of steam generating stations.

The study is based on Federal Power Commission reports covering the six years 1952 through 1957.

Professor Iulo's first step is to determine how best to express electric utility efficiency. He concludes that by and large the best overall indicator of efficiency is a low cost per kilowatt hour, expressed in mills per kwh.

Which of 32 Characteristics Important?

The statistical method which he uses is multiple regression analysis which permits determination of the simultaneous relationship of several variables (char-



Norwood

has to the unit of electricity in terms of cost per kilowatt hour.

He divides the 32 utility characteristics into three types as follows: historical, operating and marketing.

The 13 historical factors are: size of the utility in terms of total assets, total utility property, electric utility property, kwh sales, kw of generating capacity, peak demand, then size of steam production units, size of hydro units. Then he considers cost of construction, level of technology, combination of the last two, cost of debt capital and importance of the electric utility as part of the utility system. Aside from some significance for the level of technology, he finds that the size of steam generators is the only one of these 13 historical factors which warrants mention.

Operating Characteristics

The 11 operating characteristics are: capacity utilization, type of generation, nature of electricity distributed, wage rates, steam fuel costs, hydro costs, and such investment relationships as production investment per kw, distribution investment per kw, transmission investment per kw, other investment per kw and total investment per kw. He concludes that steam costs, hydro costs and capacity utilization have significance.

Eight market characteristics are: distribution of market among major con-

acteristics) to unit electrical costs. Throughout the book he cautions that the method is indicative rather than absolutely precise.

Next he tests 32 characteristics of electric utilities to determine the relationship each

sumer classifications measured by the proportion that residential kwh sales are of total kwh sales, density of territory in terms of proximity of load centers, and then five measures of density of consumption, namely, consumption per residential customer, per rural customer, per commercial and industrial customer, per all other customer and consumption per customer. Three factors prove significant: the high consumption per residential customer, the proportion of residential kwh sales to total kwh sales and the consumption per commercial and industrial customer.

Professor Iulo statistically defines an efficient utility as "one that operates within the historical, operating, and market conditions reflected by the independent factors in such a way that its actual unit electric costs are substantially less than its unit costs estimated on the basis of the factors included in the regression analysis." Conversely, an inefficient utility "will operate, subject to these conditions, in such a manner that its actual unit costs are substantially higher than its unit cost estimated on this basis."

Accounting for 80% of Cost Variation

His search determines seven characteristics account for 80 per cent of the variation of actual unit costs, as compared to estimated unit costs.

One omission in these costs is profit, although actual taxes paid are included.

The seven factors most important to the combination explanation of the inter-utility variation in unit electric costs are ex-

pressed in terms of per cent of the remaining variation. For this reason the percentages do not total 80 per cent although seven characteristics account for 80 per cent of the variation.

Ranking the Characteristics

1. Consumption per residential customer 32%
2. Ratio of residential kwh sales to total sales 23%
3. Hydro costs 22%
4. Steam costs 18%
5. Capacity utilization 12%
6. Consumption per commercial and industrial customer 11%
7. Size of steam stations 6%

Which Power Companies Efficient?

Much of the book is devoted to testing the validity of the methods used and the consistency and degree of confidence warranted. Professor Iulo complains that FPC reports do not require sufficient data on some of the characteristics.

He concluded that 32 utilities could be classed as relatively efficient, 30 relatively inefficient, 103 in the middle range of efficiency and 21 not classified.

A major surprising conclusion is that mere size of utility, particularly a distribution system, is not significant in determining relative efficiency.

The overwhelming lesson and conclusion of the Iulo study is that residential load is the most important portion of this utility load and that high consumption per home is the chief determinant of efficiency in terms of lowering unit cost.

How Do You Read?

■ Reading specialists say the average manager who spends half of his day reading could cut two hours from the reading load by learning to read faster.

More and more companies are cognizant of this problem, sending their management people to reading clinics or installing corrective reading programs of their own. In the nation's capital, government officials are turning to speed-reading courses in greater number, perhaps inspired by President Kennedy, who took a course, six years ago, and built his reading speed to an excellent 1,200 words a minute.

The average businessman before instruction reads about 250 words a minute, according to E. L. Baab, Princeton, N. J., consultant who conducts reading improve-

ment courses for business. After three weeks of training, Baab says the average executive can attain a rate of 500 to 600 words a minute, a "satisfactory" minimum.

Businessmen should learn to use four different techniques, according to Baab.

- **Skimming**—here you read rapidly for ideas, the general drift or sense.

- **Scanning**—here you read quickly to spot specific information which you want to retain.

- **Intensive reading**—this is reading for greater retention; a slower method, but still utilizing line-at-a-time perception.

- **Critical reading**—the most careful kind of reading; to be used when you are comparing information gleaned with knowledge you already possess.

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NRECA Management Services Presents

. . . Institute and Workshop Programs for You

The board's function in rural electric system management	Institute IB
March 3-4	Atlantic City, N. J. (Prior to NRECA annual meeting)
Planning and holding productive board and committee meetings	Institute IIB
February 12-13	Curtis Hotel, Minneapolis, Minn.
How a director can do a more effective job of appraising his system's operations	Institute IIIB
March 3-4	Atlantic City, N. J. (Prior to NRECA annual meeting)
Vitalizing the membership through good member meetings and relationships	Institute IVB
January 13-14	Jung Hotel, New Orleans, La. (Just prior to NTCA meeting)
January 22-23	Terrace Motor Hotel, Austin, Tex.
March 3-4	Atlantic City, N. J. (Prior to NRECA annual meeting)
Developing effective public and community relations	Institute VIB
January 8-9	Majestic Hotel, Hot Springs, Ark.
January 29-30	Campbell House, Lexington, Ky.
February 5-6	Neil House, Columbus, Ohio
March 3-4	Atlantic City, N. J. (Prior to NRECA annual meeting)
Modern management principles, tools and techniques and long range planning	Institute I
January 12-14	Jung Hotel, New Orleans, La. (Just prior to NTCA meeting)
Rural electric organization and wage & salary administration	Institute II
February 14-16	Gardner Hotel, Fargo, N. Dak.
Management through participation and getting across to your employees	Institute IV
March 26-28	Marvin Hughitt Hotel, Huron, S. Dak.
Controls, measuring and board reports	Institute VI
January 22-24	Terrace Motor Hotel, Austin, Tex.
Applying the latest management concepts to your rural electric system	Institute VIII
January 22-24	Peabody Hotel, Memphis, Tenn.
Decision making and logical thinking	Institute IX
February 12-14	New Iowa Statewide Building, Des Moines, Ia.
Developing and using a systematic wage and salary plan	Workshop I
March 28-30	NRECA Building, Washington, D. C. (Reservations may be made at the Dupont Plaza Hotel)
Labor relations	Workshop IV
January 8-10	Majestic Hotel, Hot Springs, Ark.
Improving office methods and the utilization of office skills	Workshop VC
March 19-20	Jackson, Miss. (Tentative)
March 22-23	Ohio (Tentative)
Financial planning for directors, manager, office managers and engineers	Workshop VII
January 17-19	St. Nicholas Hotel, Springfield, Ill.
February 7-9	Seminole Hotel, Jacksonville, Fla.
March 2-4	Atlantic City, N. J. (Prior to NRECA annual meeting)
Improving the management skills of the staff assistant	Staff Assistant Seminar I
January 29-Feb. 2	Town House, Kansas City, Kans. (Just a short distance from the Kansas City (Mo.) airport)
How to cope more effectively with rural electric legal problems	Legal Seminar I
February 19-20	Marott Hotel, Indianapolis, Ind.
Matters of legal concern to every rural electric system	Legal Seminar II
March 3-4	Atlantic City, N. J. (Prior to NRECA annual meeting)
How to conduct a rate study	Electric Rate Seminar I
January 8-10	University of North Carolina, Chapel Hill, N. C. (Reservation may be made at the Carolina Inn)
January 24-26	Town House, Kansas City, Kans. (Just a short distance from the Kansas City (Mo.) airport)
January 29-31	NRECA Building, Washington, D. C. (Reservations may be made at the Dupont Plaza Hotel)
February 12-14	The Inn, Opelousas, La.



"The character of a mature nation is not unlike that of the mature individual. Adulthood means the acceptance of permanent responsibilities, of continuing tasks, of enterprises that advance imperceptibly toward fruition with neither climax nor completion. It means ambiguity when we would prefer precision, tedious labor when we would prefer dramatic action, infinite patience when we would prefer immediate rewards. Above all, maturity requires a final accommodation between our aspirations and our limitations."

Senator James W. Fullbright (Ark.) in the New York Times Magazine

